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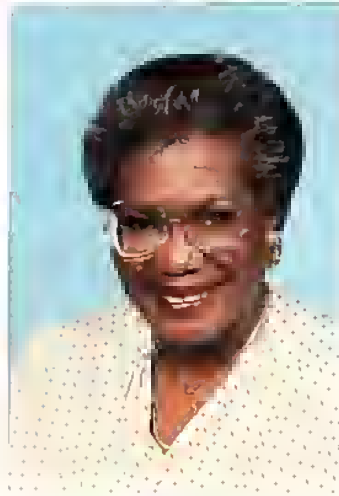


Board of Directors



Barclay Simpson
District 1

A member of the Board since 1976 and Board President in 1977. Chairman of the Board, Simpson Company, San Leandro, and owner, Barclay Simpson Art Gallery, Lafayette. Lives in Orinda.



Margaret K. Pryor
District 4

A member of the Board since 1980. Urban Affairs Consultant. Active in national and local transportation. Chairperson, APTA, Minority Affairs Committee. Lives in Oakland.



Wilfred T. Ussery
District 7

A member of the Board since 1978 and Board President in 1985. Chairperson, Public Affairs Access and Legislation Committee, 1986 and 1980. An urban planner. Active in Bay Area civic organizations. Past National Chairperson, Congress of Racial Equality, 1967 to 1969. Lives in San Francisco.



Nello Bianco
District 2

Board President 1986, 1980 and 1975, and a member of the Board since 1969. Businessman. Former Richmond City Councilman. Lives in El Sobrante.



Robert S. Allen
District 5

A member of the Board since 1974. President, 1983. Chairperson, Administration Committee, 1986. Employed 27 years in engineering and operations for three major railroads. Livermore resident since 1958.



Eugene Garfinkle
District 8

A member of the Board since 1977, Board Vice President in 1986 and Board President in 1982. A San Francisco attorney. Lives in San Francisco.



Arthur J. Shartsis
District 3

A member of the Board since 1976 and Board President in 1984. A San Francisco attorney. Lives in Oakland.



John Glenn
District 6

A member of the Board since 1974. Chairperson, Engineering and Operations Committee, 1986. Board President, 1982. Chairperson, Policy Committee, Fremont-South Bay Corridor Study, 1986. Founder and President, John Glenn Adjusters and Administrators. Organizer and Director of Civic Bank of Commerce. Lives in Fremont.



John H. Kirkwood
District 9

A member of the Board since 1974 and Board President in 1979. Chairperson, Engineering and Operations Committee, 1977 and 1978. Chairperson, Public Affairs, Access and Legislation Committee, 1981 and 1983. Advisory Board member, San Francisco Planning and Urban Renewal (SPUR) Association. Lives in San Francisco.

Message from the President

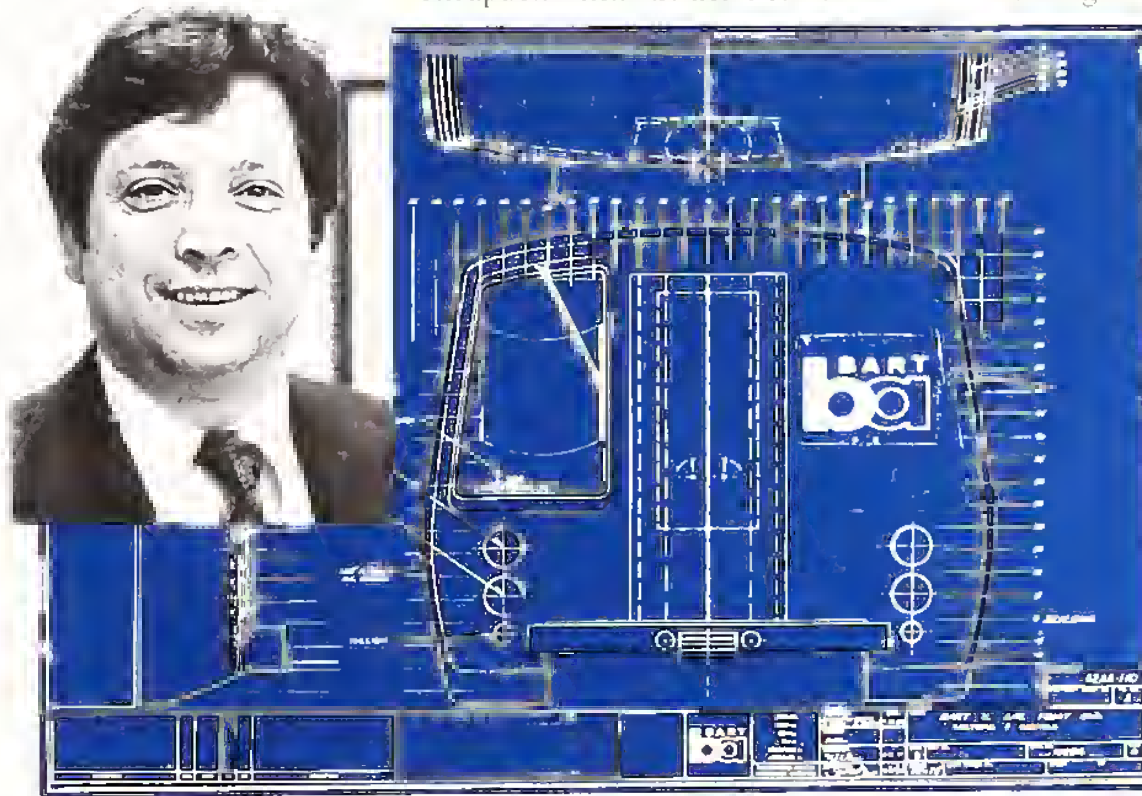
My continuous service since 1969 on BART's Board of Directors, longer than any one else's, gives me a unique perspective. I'm able to look back to the very beginnings of BART and remember the problems and unforeseen difficulties we encountered in getting the system going. But I'm also able to look ahead to the future and to the role that BART will increasingly play in regional transportation.

Yes, we had our problems in the beginning, believe me, but a lot of them were due to the fact that we were trying to put together a unique rapid rail system, with more modern equipment and systems than had been attempted anywhere. It took a lot of work and dedication and persistence and, yes, faith to get BART going, but we stuck to it and gradually solved the problems.

Today BART is regarded as a leader in the field of public transit, a model for other systems, and we're just on the brink of providing the best service we've ever been able to offer.

Take a look at the existing system and at the projects aimed at increasing BART's capacity. The new K-E third line through Oakland is completed. We're already seeing the effects and benefits. Our Daly City project is right on schedule and we've almost finished with the testing of

the C-Car prototypes. The new car-borne Automatic Train Control system, which is the most advanced system of its kind, will dramatically reduce service disruption when installed on all of



BART's cars.

Financially, too, we're in strong shape. When interest rates dropped, we refinanced a portion of the bonds we had issued in 1982 to pay for the C-Cars, and

the A-1 rating the new bonds received tells you something about how the financial markets view us. Our decision to refinance was certainly prudent. My colleagues and I, after very careful study, voted an

increase in fares to keep the system financially solvent at a time when federal and state funding for transit is on the decline. I regard that also as a prudent decision.

I have always favored the extension of BART's system. Three years ago the Board adopted my proposed extension policy and now we're in the first stages of reaching out to Antioch, Pittsburg, southern and eastern Alameda County — and now that it's possible to see it in the future — to Santa Clara and San Mateo counties.

For the future, I see BART as the spine of a truly regional transportation system. There is solid evidence all around us of cooperation and support. The dawn is breaking on a time of expanding service, mutual coordination by separate transportation agencies and increasing awareness by people of the advantages of up-to-date, safe and fast public transit.

That's a perspective of which I am truly proud!

Nello Bianco, President
Board of Directors
San Francisco Bay Area
Rapid Transit District, 1986



KE Track

The opening for passenger service in March of a third mainline track through downtown Oakland provided BART with the capability for smoother peak-hour service, more efficient car storage and, during service disruptions, better order and movement of trains.

The 1.5-mile KE track, beginning Oakland West Station and extending in Washington Street to 23rd Street, connects BART's four routes at one of the system's busiest convergent points. During construction of the KE track, all trains moving through the area were operated manually, at slower speeds than is possible under automatic control. The opening of the new track, which cost \$25.4 million to construct, resulted in a return to full-speed automatic train operations between the MacArthur and 19th Street stations, reducing train delays and providing an improvement in on-time service for passengers.

The new track includes sidings in Oakland which allow trains to be stored during off-peak hours. Before the completion of the KE project, cars in use during the morning commute service were routed to East Bay storage yards during the day and then returned from the yards to peak passenger service in the afternoon. Operating savings of about \$350,000 a year are expected to result from the new KE project's storage capability.

C-CARS

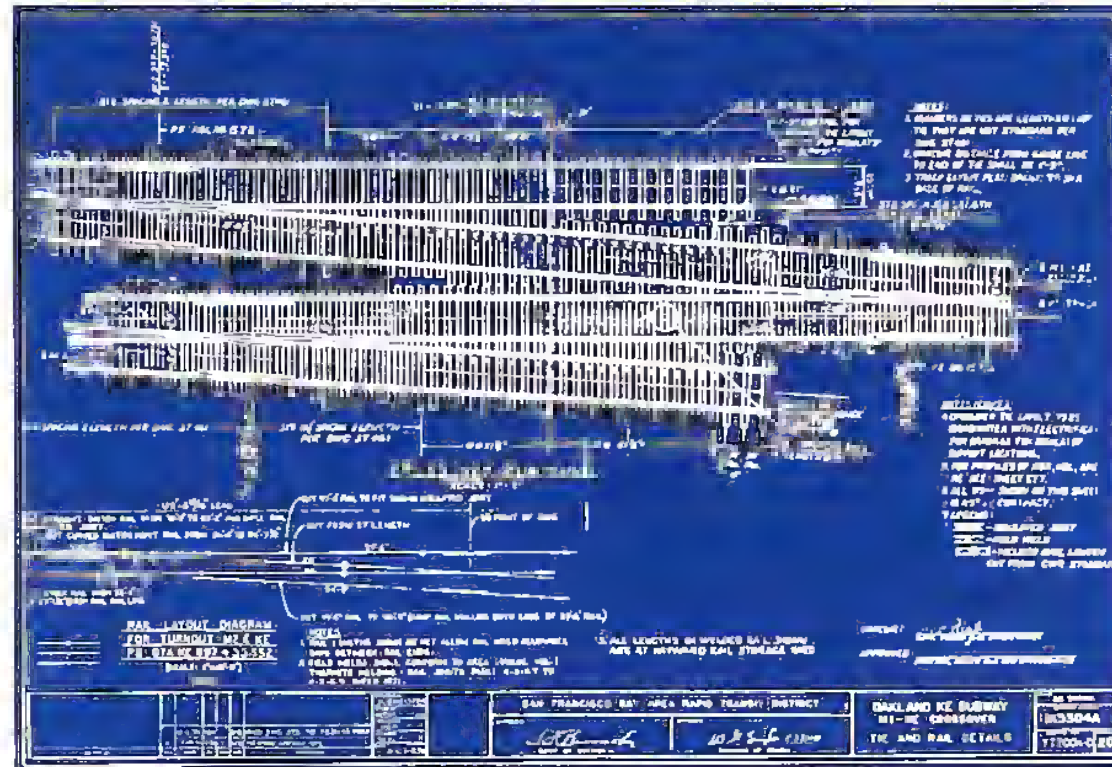
Rigorous testing of four prototype C-Cars was begun during the year, paving the way for the first delivery of production models in the spring of 1987.

The cars are a key element of BART's \$519.7 million capital improvement program to increase passenger capacity at peak hours. BART ordered 151

C-Cars in 1982 from a subsidiary of Alsthom-Atlantique, based in France and considered a leading manufacturer of railroad equipment. More than 60 percent of the components of the cars, however, will be supplied by American manufacturers.

The cars will not only provide additional passenger capacity, but additional flexibility in scheduling. They can be used as a lead car, a trailing car or a mid-car in a train.

The total cost of the C-Cars was originally estimated at \$279.4 million, but revised estimates now,



based on management efficiencies and less than anticipated inflation, put the total costs at \$241.5 million, a savings of \$37.5 million. BART's share of the revised total is approximately \$89 million. Federal and state funds and local bridge tolls will provide the balance.

Vehicle Fire Hardening

Almost completed at the end of BART's operating year was a \$20.7 million project to sharply reduce the flammability of all the system's 440 passenger cars.

By June 30, 1986, 408 cars had been completely refurbished with new wall and ceiling liners, new floors and additional fire protection improvements, such as the installation of fire stops in the ceilings and walls. Special fire-retardant and insulation materials were placed between the car floor and undercar equipment, such as the electrical brake grids, to eliminate any danger from possible overheating.

To be certain of the fire resistance and effectiveness of the materials used in the Fire Hardening project, BART engaged in a unique test and evaluation program to verify the performance of the materials under actual fire conditions. The results of these tests led to the development of the specifications for the vehicle fire-hardening project and assisted the federal government in developing fire performance guidelines for transit vehicle design.

Extensions

Steps were taken to extend BART service to additional communities in Alameda and Contra Costa counties and to areas outside the current three-county District in San Mateo and Santa Clara counties.

BART continued to acquire land for planned future stations and worked during the year with local, regional, state and federal officials on efforts to extend BART's rail lines.

Following the overwhelming approval by San Mateo County voters on November 5, 1985, of a one-station BART extension into their county, BART began discussions with county officials for coordinated planning of a Colma Station.



Daly City Turnback

The Daly City Turnback and Yard project, a key component in BART's efforts to expand its passenger-carrying capacity, reached the two-thirds completion mark by the end of the operational year.

The Turnback consists of three tracks extending south for 1.5 miles from the Daly City Station. The tracks will allow train controllers to turn trains back to East Bay stations faster than is now possible. BART's objective is to provide trains during peak hours at a frequency of 2.25 minutes, compared to the current maximum frequency of 3.75 minutes.

The Turnback capability, when the project is completed in 1988, will be a factor in allowing BART to eventually operate in excess of 57 trains at one time on the system, compared with the current limit of 49 trains.

The storage yard at Daly City, with a capacity of 165 cars, will eliminate the need to return empty cars to East Bay storage yards after the morning and evening commute hours. BART estimates a saving of \$1.4 million a year through the elimination of the empty or virtually empty return runs. A maintenance shop will also be built in the storage yard, providing additional savings and flexibility as the cars will no longer have to be brought back to the East Bay shops for repair.

The entire Turnback and Yard project, estimated to cost \$150 million, is scheduled for completion during the first quarter of 1988.

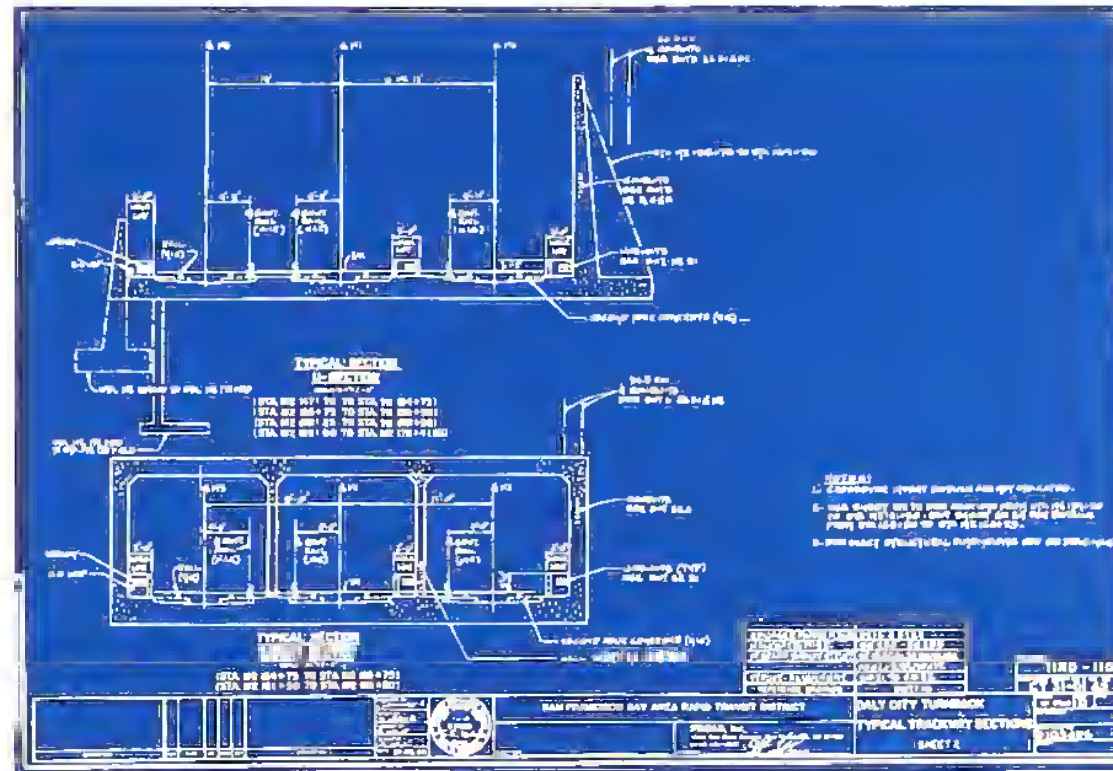
Safety Record

BART's enviable record for passenger safety continued during the year. Since September, 1972, when BART's first paying passenger stepped aboard a train, the system has carried more than 560 million people 7.1 billion passenger miles without a single passenger fatality.

That record reflects the strong priority given to passenger safety by BART, beginning with the Board of Directors and extending through all levels of personnel. An on-going safety audit program is maintained to insure continued compliance with all BART safety procedures and guidelines.

Coop-Emergency Programs

BART continued to conduct emergency and safety procedures programs during the year, providing



training for BART personnel and nearly 650 firefighters and emergency medical personnel from 13 localities throughout the system.

The object of the program is to assure prompt and coordinated action, well planned and tested in advance, to handle emergencies. The programs include familiarization tours of BART vehicles, stations and underground facilities, smoke-movement drills and simulated derailments and fires.

Platform Edge Warning

After extensive testing at four stations of various tactile warning tiles, BART engineers selected a brightly colored tile material for installation throughout the system.

Tested at the Lake Merritt Station in Oakland, the selected tile is designed to alert passengers, particularly those who are blind or vision-impaired, that they are near the edge of the platform. The project is scheduled for completion in October, 1987.

RADCOM

The upgrading of BART's radio communications systems, RADCOM, was completed during the year at a cost of \$3.7 million. The project included additional radio facilities, entailing a separate frequency for BART storage and maintenance yards and a dedicated channel for fire department use in all subway areas. The project also included the purchase of additional portable radios or upgrading existing portable radios for the San Francisco, Oakland, Berkeley, and Orinda fire departments.

Promotional

Promotional efforts and special train scheduling were continued throughout the year to encourage the use of BART to attend parades, holiday celebrations,

commemorative festivities, sporting events, fairs and concerts. Also, a major off-peak marketing effort which began in May, 1985, was continued through December, 1985. The campaign, called "BART Goes Shopping 100¢," was targeted for shoppers.

New weekday ridership records were set on September 18 and 19 in conjunction with two concerts at the Oakland Coliseum. Ridership was 238,800 the first day of the concert, topped by 240,292 trips the second day. About one-fourth of the 100,000 people attending the concerts used BART for transportation.



Integrated Control System

The implementation of BART's new Integrated Control System (ICS), designed to boost from 49 to at least 57 the number of trains in operation at one time, continued during the year.

The ICS, which eventually will replace BART's current train control computers, is budgeted at \$31.8 million, 80 percent of which will be funded by the Urban Mass Transportation Administration. The project is scheduled for completion in October, 1987.

New computers for the ICS are already in place and work is also under way on software design and production, testing and integration of the current and new control systems.

Joint Development

BART moved forward on several joint development projects, including a plan for a hotel and office facilities at the Pleasant Hill Station. The Pleasant Hill project, which has been under consideration for four years, is expected to be a source of revenue to BART, as well as a generator of jobs and taxes to local governments.

Additional projects, now in various stages of development, are planned in Concord, Daly City and Oakland.

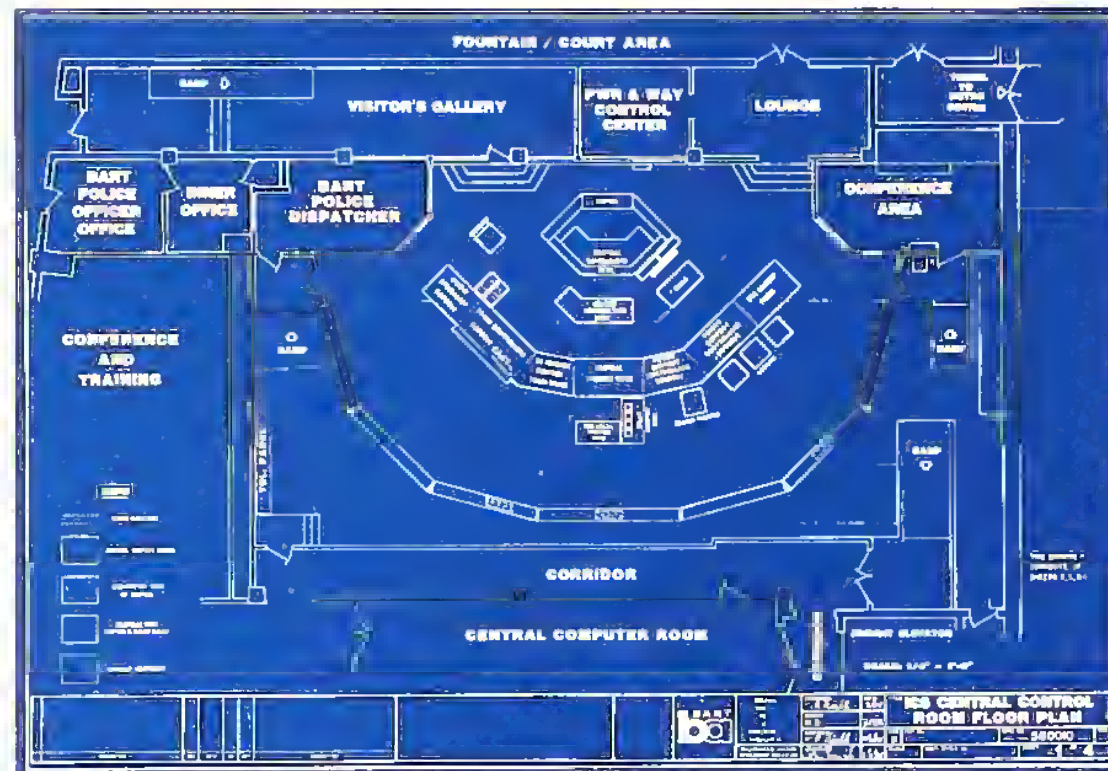
Access

To make it easier and more convenient for people to reach BART stations and use the trains, BART added 1,635 parking spaces at six locations and was nearing completion of another 443 spaces at the end of the fiscal year.

In May, following a 5-year lease agreement with the U.S. Navy, construction began on the North Concord/Martinez park and ride project, which is scheduled for completion by the end of 1986 and will provide 538 spaces.

BART also improved its express bus service by

tealigning routes onto freeways, extending the routes to the new park and ride facilities and providing more frequent service. An agreement was reached with the Alameda-Contra Costa Transit District, under which BART paid \$5.5 million to AC Transit to underwrite the costs of feeder service bus routes to BART stations. BART's efforts to modify station elevators continued, providing more convenient access for handicapped passengers. The project includes the installation of card readers, intercoms, closed circuit television, new call buttons and the lowering of control panels.



BART Police

Professionalism and vigilance are the watchwords for BART's police force, which is charged with the protection of passengers and property on all trains at 34 stations, in parking lots and other District property.

During the year, for example, BAR 1 plainclothes officers worked with their counterparts from the San Francisco Police Department to apprehend professional pickpockets who were preying on unsuspecting pas-

sengers on crowded platforms in downtown San Francisco stations.

BART police officers, who have full peace officer's authority and responsibility, patrol the system on foot to cover the stations and trains and in patted cars to cover the parking lots and other District property.

Considering the number of passengers using the system, BART has an enviably low crime rate and efforts will continue to keep it at this level.

Financial

The general decline of interest rates offered an opportunity during the year for BART to refinance a portion of the \$65 million in revenue bonds originally issued in 1982 to help pay for 150 C-Cars. The refinancing is projected to generate an additional \$75 million, earmarked for capital projects.

After extensive analysis and evaluation of alternatives, BART's Board of Directors approved a system-wide fare increase averaging 30 percent which went into effect on January 1, 1986. The increase resulted in minimum and maximum one-way fares of 80 cents and \$3.00. The additional funds generated by this increase will be used to cover operating deficits and provide additional money for debt service and capital projects, including expanded parking.

BART also concluded an agreement with the Urban Mass Transportation Administration for full funding of the Daily City Turnback and Yard project.



Rail Ridership

Annual passenger trips
Average weekday trips
Average trip length
Annual passenger miles
Patron trip on-time performance (%)
System utilization ratio (passenger miles to available seat miles)
End-of-period ratios:
Peak patronage
Offpeak patronage
BART's estimated share of peak period transit trips — cars, trains & buses (a)
Passengers with automobile available (as all to BART)

Operations

Annual revenue car miles
Unscheduled train removals — average per
Transit car availability to revenue car fleet (b)
Passenger miles per equivalent gallon of gas

Performance Highlights

Annual BART patronage declined by almost two million passengers from the prior year during the fiscal year 1985-1986, but revenue increased by \$5.5 million, due to the 30 percent fare increase effective January 1, 1986.

and stations, and other income, was \$82 million for FY 85-86, compared with \$74.3 million for the previous fiscal year.

BART's farebox ratio, reflecting the period of six months before the fare increase, was only 45.4 percent

expenses from operating revenues.

Net rail passenger revenue per passenger mile for FY 85-86 was 9.6 cents, up from the previous year's 8.4 cents. Rail operating cost per passenger mile for FY 85-86 was 19.6 cents, compared with 17.3 cents for FY 84-85, 4.3 percent above the budgeted level of 18.8 cents.

BART passengers logged a total of 58.9 million trips during FY 85-86, compared with 60.8 million for the previous year, and rode an average of 12.8 miles for each trip during FY 85-86, compared with 13 miles the year before.

In addition to funds derived from passenger fares, interest income and advertising, BART received \$84.2 million in revenues from 75 percent of the one-half-cent transit sales tax in the three BART counties, \$2.4 million in State Transportation Development Act (TDA) funds and State Transit Assistance (STA) and \$6.8 million in property tax as its share of the one percent maximum property tax available to all local governments.

Directors were once again able to reduce the property tax BART levies for repayment of the general obligation bonds approved by voters in 1962 for

construction of the system. Directors set a tax rate of 5.08 cents per one hundred dollars of assessed value down from 5.72 cents the previous fiscal year. The property tax generated revenues of \$51.5 million from property owners in Alameda, Contra Costa and San Francisco counties, the three counties making up the District.

FY 1985/86	FY 1984/85
58,894,468	60,798,419
204,244	211,612
12.8 miles	13.0 miles
751,848,613	789,290,663
89.1%	92.5%
34.2%	35.8%
49.2%	49.8%
50.8%	50.2%
37.8%	37.0%
65.0%	57.0%
30,489,648	30,634,569
5.2	4.9
89.1%	89.3%
79.2	84.2

Passenger accidents reported per million passenger trips
Patron-related crimes reported per million passenger trips

Financial

Net passenger revenues
Other operating revenues
Total operating revenues
Net operating expenses
Farebox ratio (net passenger revenues to net operating expenses)
Operating ratio (total operating revenues to net operating expenses)
Net rail passenger revenue per passenger mile
Rail operating cost per passenger mile
Net average rail passenger fare (c)

Notes

General note: Data represent annual averages unless otherwise noted.

(a) Based on MTC Transbay survey data for October 1985 and April 1986 (7-9 a.m., 4-6 p.m.).

(b) At 8 a.m. each day.

(c) Includes BART/MUNI Fast Pass.

FY 1985/86	FY 1984/85
16.62	16.55
26.35	23.39
\$ 73,052,000	\$ 67,468,000
9,019,000	6,848,000
82,071,000	74,316,000
160,894,000	147,144,000
45.40%	45.85%
51.01%	50.50%
9.6c	8.4c
19.6c	17.3c
\$1.22	\$1.09

BART funded 51 percent of its total operating expenses, which amounted to \$160.9 million for FY 85-86, from passenger fares and other operating revenue. Net passenger revenue for FY 85-86 amounted to \$73 million, compared to \$67.5 million for FY 84-85. Total operating revenue, including \$9 million in interest income, advertising in trains

for FY 85-86, below the previous year's percentage of 45.8. The ratio is expected to increase for FY 86-87 with the higher fares in effect for a full year.

The operating ratio, at 51 percent for FY 85-86, was slightly higher than the previous year's 50.5 percent. A continuing objective of the District is to fund approximately one-half of its net operating

Financial Statements

The Board of Directors
San Francisco Bay Area Rapid Transit District

We have examined the balance sheet of San Francisco Bay Area Rapid Transit District as of June 30, 1986 and 1985, and the related statements of operations, changes in net capital investment, changes in financial position, and revenues, expenditures and fund balances of debt service funds for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of San Francisco Bay Area Rapid Transit District as of June 30, 1986 and 1985, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Adams, Grant, Werner & Co.

September 5, 1986

KMG Main Handman

San Francisco, California

BALANCE SHEET

June 30, 1986 and 1985 (In Thousands)

	1986	1985
ASSETS		
Cash (including time deposits — 1986, \$24,528; 1985, \$24,800)	\$ 26,016	\$ 26,349
Securities	278,437	172,693
Securities representing reserves	32,223	32,939
Deposits, notes and other receivables	93,051	59,997
Construction in progress	119,390	87,960
Facilities, property and equipment — at cost (less accumulated depreciation and amortization — 1986, \$350,550; 1985, \$316,929)	1,301,209	1,298,582
Materials and supplies — at average cost	14,279	13,065
Debt service funds, net assets	25,510	18,236
	<u>\$1,890,115</u>	<u>\$1,709,821</u>
LIABILITIES AND CAPITALIZATION		
Notes payable	\$ 67,655	\$ 26,450
Payroll and other liabilities	61,917	52,135
Unearned passenger revenue	1,577	1,384
Debt service funds	25,510	18,236
	<u>156,659</u>	<u>98,205</u>
Capitalization:		
Reserves	32,223	32,939
General Obligation Bonds	504,905	537,725
Sales Tax Revenue Bonds	145,000	64,510
Net capital investment	1,051,328	976,442
	<u>1,733,456</u>	<u>1,611,616</u>
	<u>\$1,890,115</u>	<u>\$1,709,821</u>

STATEMENT OF OPERATIONS

Years Ended June 30, 1986 and 1985 (In Thousands)

	1986	1985
Operating revenues:		
Fares	\$ 80,898	\$ 74,108
Less discounts and other deductions	7,846	6,640
	<u>73,052</u>	<u>67,468</u>
Other	4,022	1,395
Investment income	4,997	5,453
Total operating revenues	<u>82,071</u>	<u>74,316</u>
Operating expenses:		
Transportation	60,658	53,923
Maintenance	63,170	58,041
Police services	8,601	8,025
Construction and engineering	5,597	4,985
General and administrative	29,497	27,177
	<u>167,523</u>	<u>152,151</u>
Less capitalized costs	6,629	5,007
Net operating expenses	<u>160,894</u>	<u>147,144</u>
Operating loss before depreciation expense	<u>78,823</u>	<u>72,828</u>
Depreciation (unfunded):		
Of assets acquired with own funds	17,940	17,026
Of assets acquired with grants and contributions by others	16,411	13,340
Total depreciation	<u>34,351</u>	<u>30,366</u>
Operating loss	<u>113,174</u>	<u>103,194</u>
Financial assistance:		
Transactions and use tax	84,231	81,055
Property tax	6,757	5,733
State	1,826	3,646
Transportation Development Act of 1971	564	500
Debt service allocations	(11,566)	(8,221)
Capital allocations	(3,000)	(10,301)
Total financial assistance	<u>78,812</u>	<u>72,412</u>
Net loss	<u>34,362</u>	<u>30,782</u>
Depreciation of assets acquired with grants and contributions by others	<u>16,411</u>	<u>13,340</u>
Net loss transferred to accumulated deficit	<u>\$ 17,951</u>	<u>\$ 17,442</u>
Reconciliation to net funded deficit:		
Operating loss before depreciation expense	\$ 78,823	\$ 72,828
Deduct financial assistance	<u>78,812</u>	<u>72,412</u>
Funded excess of expenses over revenues	<u>\$ 11</u>	<u>\$ 416</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET CAPITAL INVESTMENT
Years Ended June 30, 1986 and 1985 (In Thousands)

	Property Tax	Transactions and Use Tax	Grants and Contributions	Depreciation and Retirements of Assets Acquired With Grants and Contributions by Others	Accumulated Deficit	Interest on Capital	Capitalization of Interest	Reserves	Net Capital Investment
Balance, July 1, 1984	\$235,515	\$150,000	\$642,939	(\$111,779)	(\$160,511)	\$182,857	\$—	(\$34,684)	\$ 904,337
Net loss for the year	—	—	—	—	(17,442)	—	—	—	(17,442)
Proceeds from grants and contributions	—	—	45,955	—	—	—	—	—	45,955
Depreciation of assets acquired with grants and contributions by others	—	—	—	(13,340)	—	—	—	—	(13,340)
Interest on capital	—	—	—	—	—	23,937	—	—	23,937
Increase in operating reserve	—	—	—	—	—	—	—	(400)	(400)
Increase in construction fund reserve	—	—	—	—	—	—	—	(350)	(350)
Decrease in system completion reserve	—	—	—	—	—	—	—	1,409	1,409
Decrease in system improvement reserve	—	—	—	—	—	—	—	1,086	1,086
Bond principal	30,760	490	—	—	—	—	—	—	31,250
Balance, June 30, 1985	266,275	150,490	688,894	(125,119)	(177,953)	206,794	—	(32,939)	976,442
Net loss for the year	—	—	—	—	(17,951)	—	—	—	(17,951)
Proceeds from grants and contributions	—	—	63,038	—	—	—	—	—	63,038
Depreciation of assets acquired with grants and contributions by others	—	—	—	(16,411)	—	—	—	—	(16,411)
Interest on capital	—	—	—	—	—	25,393	—	—	25,393
Cost of 1982 Sales Tax Revenue Bonds defeasance	—	—	—	—	(1,748)	(2,846)	—	—	(4,594)
Capitalization of interest	—	—	—	—	—	—	(8,670)	—	(8,670)
Increase in operating reserve	—	—	—	—	—	—	—	(100)	(100)
Increase in construction fund reserve	—	—	—	—	—	—	—	(331)	(331)
Decrease in system completion reserve	—	—	—	—	—	—	—	457	457
Decrease in system improvement reserve	—	—	—	—	—	—	—	690	690
Bond principal	32,820	545	—	—	—	—	—	—	33,365
Balance, June 30, 1986	<u>\$299,095</u>	<u>\$151,035</u>	<u>\$751,932</u>	<u>(\$141,530)</u>	<u>(\$197,652)</u>	<u>\$229,341</u>	<u>(\$8,670)</u>	<u>(\$32,223)</u>	<u>\$1,051,328</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1 — Summary of Significant Accounting Policies

Description of District

The San Francisco Bay Area Rapid Transit District is a public agency created by the legislature of the State of California in 1957 and regulated by the San Francisco Bay Area Rapid Transit District Act, as amended. The District does not have stockholders or equity holders and is not subject to income tax. The disbursement of all funds received by the District is controlled by statutes and by provisions of various grant contracts entered into with Federal and State agencies.

Securities

As a matter of policy, the District holds investments until their maturity and, accordingly, securities are carried at cost. At June 30, 1986, market value exceeded cost by \$12,646,000. At

June 30, 1985, market value exceeded cost by \$9,331,000. The face value of securities exceeded cost at June 30, 1986 and 1985.

Facilities, Property and Equipment

Facilities, property and equipment are carried at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The amount of depreciation of assets acquired with District funds is distinguished from depreciation of assets acquired with grants and contributions by others. The latter amount is shown on the statement of changes in net capital investment with the related grants and contributions.

Federal and State Grants

The District receives amounts from both Federal and State

governments to assist in operations and for capital or other projects. Grants for capital and other projects are recorded as additions to net capital investment on receipt. Grants for operating expenditures are included as financial assistance in the statement of operations.

Sales Tax Revenue

The one-half percent transactions and use tax is collected and administered by the State Board of Equalization. Of the amounts available for distribution, 75% is transmitted directly to the District's appointed trustee for the purpose of paying bond and note interest, principal and expenses. Monies not required for these purposes are transmitted to the District. The District records the total taxes received as transactions and use tax and the amount retained by the trustee as special deposits and debt

STATEMENT OF CHANGES IN FINANCIAL POSITION
Years Ended June 30, 1986 and 1985 (In Thousands)

	1986	1985
Cash and securities (used) provided by:		
Operations:		
Net loss transferred to accumulated deficit	(\$ 17,951)	(\$ 17,442)
Deduct expenses not requiring cash:		
Depreciation of assets acquired with own funds	17,940	17,026
Cash and securities (used) by operations	(11)	(416)
Decrease in materials and supplies	—	69
Issuance of Sales Tax Revenue Bonds	145,000	—
Issuance of Sales Tax Anticipation Notes	21,775	19,860
Issuance of Grant Anticipation Notes	45,025	10,900
Contributions from U.S. Government grants and others	63,038	45,955
Increase in payroll and other liabilities	9,782	7,197
Increase in unearned passenger revenue	193	—
Interest on capital	25,393	23,937
Total cash and securities provided	310,195	107,502
Cash and securities applied to:		
Increase in deposits, notes and other receivables	33,054	14,494
Increase in construction in progress	31,430	20,769
Additions to facilities, property and equipment	36,978	36,570
Additions to materials and supplies	1,214	—
Refused Sales Tax Revenue Bonds	63,965	—
Matured Sales Tax Anticipation Notes	19,860	16,000
Matured Grant Anticipation Notes	5,735	4,310
Decrease in unearned passenger revenue	—	48
Cost of 1982 sales tax revenue bond defeasance	4,594	—
Capitalization of interest	8,670	—
Total cash and securities applied	205,500	92,191
Increase in cash and securities	\$104,695	\$ 15,311

NOTES TO FINANCIAL STATEMENTS (Cont'd)

1 — Summary of Significant Accounting Policies (Cont'd)

service allocations upon receipt of the net amount. The State Board of Equalization estimates that transactions and use tax revenues for the period April 1, 1986 to June 30, 1986 will be approximately \$19,305,000. Of this amount, \$5,791,500 had been received and recorded by the District. Comparable figures for 1985 were \$18,169,000 and \$5,451,000 respectively.

Property Tax Revenues

The District receives property tax revenues to service the debt requirements of the General Obligation Bonds and records these revenues in the debt service funds. It also

DEBT SERVICE FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES
Years Ended June 30, 1986 and 1985 (In Thousands)

	Year Ended June 30, 1986					Year Ended June 30, 1985
	General Obligation Bonds	Sales Tax Revenue Bonds	Sales Tax Anticipation Notes	Grant Anticipation Notes	Combined	Combined
Revenues:						
Property tax	\$55,022	\$ —	\$ —	\$ —	\$ 55,022	\$53,837
Bond proceeds	—	75,920	—	—	75,920	—
Accrued interest from bond sale	—	873	—	—	873	—
District deposits for principal payments	—	—	21,775	17,097	38,872	27,455
District deposit to Debt Service Reserve Account	—	—	—	—	—	473
Allocations from District revenues	—	10,387	1,179	—	11,566	8,221
Interest	2,089	1,212	477	1,017	4,795	3,485
Interest transferred from District	—	—	—	1,365	1,365	493
	57,111	88,392	23,431	19,479	188,413	93,964
Expenditures:						
Assets transferred to Trustee for 1982 Sales Tax Revenue Bonds defeasance	—	66,626	—	—	66,626	—
Interest	21,754	6,254	1,396	1,365	30,769	30,896
Principal	32,820	545	19,860	5,735	58,960	51,560
Service expense	—	28	6	—	34	7
Interest transmitted to District	—	1,269	809	262	2,340	1,959
	54,574	74,722	22,071	7,362	158,729	84,422
	2,537	13,670	1,360	12,117	29,684	9,542
Balance, beginning of year	12,737	10,618	21,524	3,282	48,161	38,619
Balance, end of year	\$15,274	\$24,288	\$22,884	\$15,399	\$77,845	\$48,161
Represented by:						
Cash (including time deposits — 1986, \$1,499; 1985, \$0-)	\$ 2,141	\$ —	\$ —	\$ —	\$ 2,141	\$ 12
Securities	11,330	—	—	—	11,330	11,061
Taxes and interest receivable	1,803	—	—	—	1,803	1,664
Assets with fiscal agent	—	24,288	22,884	15,399	62,571	35,424
	\$15,274	\$24,288	\$22,884	\$15,399	\$ 77,845	\$48,161

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

1 — Summary of Significant Accounting Policies (Cont'd)

receives an allocation of property tax revenues to provide for general and administrative expenses not involving construction, although such revenues may be used for construction if needed. The District records this property tax allocation as financial assistance.

Interest Earned on Capital Sources

The District accounts for interest earned on capital sources as an increase in net capital investment to recognize that this interest should be directly associated with the capital which gives rise to the interest and which is not available for current operations.

In accordance with this policy, management allocated to net capital investment \$15,941,000 of interest revenue earned on assets held in the General Operating Fund but which related to capital projects.

Self-Insurance

The District is largely self-insured for worker's compensation, general liability claims, and major property damage. The District records the costs of self-insured claims and major property damage when they are incurred.

Capital Allocations

The Board of Directors allocates a portion of unrestricted financial assistance and general fund revenues to net capital investment for capital projects.

Capitalization of Interest

The District capitalizes certain interest revenue and expenditures related to tax free borrowings in accordance with Financial Accounting Standards 62. The net effect for the fiscal year ending June 30, 1986 of these capitalizations is to decrease construction in progress by \$8,670,000 representing excess interest revenue from applicable borrowings over interest expenditures.

Debt Service

The District accounts for the debt service funds on the cash basis whereby expenditures are not recognized until resources are allocated and cash is spent. Hence, interest expense is not recognized until the payment is made.

2 — Reserves

Securities are separately classified on the balance sheet to reflect designation by the Board of Directors of a portion of the District's capitalization as reserves for the following purposes.

	— — (in thousands) — —	
	1986	1985
Basic System Completion	\$10,421	\$10,878
System Improvement	6,371	7,061
Construction	2,931	2,600
Self-Insurance	9,000	9,000
Operating	3,500	3,400
	<u>\$32,223</u>	<u>\$32,939</u>

3 — Facilities, Property and Equipment

(In Thousands)

Facilities, property and equipment, assets lives, and accumulated depreciation and amortization at June 30, 1986 and 1985 are summarized as follows:

		1986		1985	
	Lives (Years)	Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Land	—	\$ 135,325	\$ —	\$ 122,209	\$ —
Improvements	80	1,088,998	165,854	1,082,053	152,259
System-wide operation and control	20	125,581	61,823	118,835	55,735
Revenue transit vehicles	30	164,598	65,241	159,408	57,120
Service and miscellaneous equipment	3 to 20	24,357	14,079	21,976	11,858
Capitalized construction and start-up costs	30	105,217	40,874	103,557	37,519
Repairable property items	30	7,683	2,679	7,473	2,438
		<u>\$1,651,759</u>	<u>\$350,550</u>	<u>\$1,615,511</u>	<u>\$316,929</u>

4 — General Obligation Bonds

(In Thousands)

	Composite Interest Rate	Year Last Series Matures	Original Amount		1986		1985	
			Authorized	Issued	Due in 1 Year	Total	Due in 1 Year	Total
1962 District Bonds	3.93%	1999	\$792,000	\$792,000	\$34,225	\$498,175	\$32,400	\$530,575
1966 Special Service District Bonds	4.38%	1998	20,500	12,000	440	6,730	420	7,150
			<u>\$812,500</u>	<u>\$804,000</u>	<u>\$34,665</u>	<u>\$504,905</u>	<u>\$32,820</u>	<u>\$537,725</u>

In 1962, voters of the member counties of the District authorized a bonded indebtedness totaling \$792 million of General Obligation Bonds. Payment of both principal and interest is provided by the levy of District wide property taxes. During 1966, City of Berkeley voters formed Special Service District No. 1 and authorized the issuance of \$20.5 million of General Obligation Bonds for construction of subway extensions within that city. Payment of both principal and interest is provided by taxes levied upon property within the Special Service District. Bond principal is payable annually on June 15 and interest is payable semiannually on June 15 and December 15 from debt service funds. Interest of \$9,996,000 on General Obligation Bonds and \$148,000 on Special Service District No. 1 Bonds is payable on December 15, 1986.

The following is a schedule of principal repayments required under General Obligation Bonds as of June 30, 1986 (in thousands):

Year Ending June 30	1962 District Bonds	1966 Special Service District Bonds	Total
1987	\$ 34,225	\$ 440	\$ 34,665
1988	36,250	460	36,710
1989	38,400	480	38,880
1990	40,200	500	40,700
1991	33,700	520	34,220
Later years	315,400	4,330	319,730
	<u>\$498,175</u>	<u>\$6,730</u>	<u>\$504,905</u>

5 — Sales Tax Revenue Bonds

(In Thousands)

		1986		1985	
	Year Last Series Matures	Authorized	Issued	Due in 1 Year	Total
1969 Sales Tax Revenue Bonds	1977	\$150,000	\$150,000	\$ —	\$ —
1982 Sales Tax Revenue Bonds	2008	65,000	65,000	63,965	\$ —
1985 Sales Tax Revenue Bonds	2011	145,000	145,000	—	—
		<u>\$360,000</u>	<u>\$360,000</u>	<u>\$63,965</u>	<u>\$64,510</u>

5 — Sales Tax Revenue Bonds (Cont'd)

The 1969 Legislature of the State of California authorized the District to impose a one-half percent transactions and use tax within the District and issue Sales Tax Revenue Bonds totaling \$150 million. The State Legislature later extended the tax to June 30, 1978 and authorized the District to issue bonds totaling \$24 million to be used for operations. Payment of these Sales Tax Revenue Bonds was completed by June 30, 1978.

On September 30, 1977, the Governor signed legislation which extended the transactions and use tax indefinitely. The tax is collected and administered by the State Board of Equalization. Of the amounts available for distribution, 75% is allocated to the District and 25% is allocated by the Metropolitan Transportation Commission to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services on the basis of regional priorities established by the Commission.

In October 1982, the District issued revenue bonds totaling \$65 million to pay a portion of the cost of acquisition of 150 rail transit vehicles and related automatic train control equipment for use in the District's existing rapid transit system. The 1982 Bonds were special obligations of the District payable from and secured by a pledge of revenues, including certain sales tax revenues, all passenger fares and certain property tax revenues. Bond coupon rates ranged from 7% to 10% depending upon the various maturity dates.

In November 1985, the District issued revenue bonds totaling \$145,000,000 to refund and defease \$63,965,000 outstanding principal amount of the bonds issued in 1982, and to finance certain system improvements. The system improvements currently planned or underway include acquisition of 150 rail transit vehicles and associated capacity increase projects, new parking facility construction and improvements to existing lots, land and right-of-way acquisitions, enhancements to train performance systems, and system route extension studies.

The District recognized \$4,594,000 as a cost of defeasance in the statement of changes in net capital investment representing the difference between the book value of the bonds net of unamortized discount less the amount transferred to the trustee.

The 1985 Bonds are special obligations of the District secured by a pledge of the sales tax revenues and are payable from revenues, including all sales tax revenues, all passenger fares, certain property tax revenues, and certain interest, grants, and other income. Bond interest rates range from 6.40% to 9.00% depending upon the various maturity dates. The bonds maturing on or after July 1, 1996 are redeemable prior to maturity at the option of the District beginning July 1, 1995 on various dates at prices ranging from 103% to 100%. The bonds matur-

ing July 1, 2004 and July 1, 2011 are also subject to redemption prior to maturity on or after July 1, 1998 and July 1, 2005, respectively, at 100%.

Taxes collected by the State Board of Equalization are transmitted directly to the appointed trustee for the purpose of paying bond interest semiannually on July 1 and January 1, principal annually on July 1 and expenses of the trustee. Monies not required for these purposes are transmitted to the District. Additionally, the trustee retains amounts needed for the payment of principal and interest on \$21,775,000 Sales Tax Anticipation Notes maturing on August 1, 1986 (see Note 6). Taxes received by the trustee during the current fiscal year were \$84,231,000 of which \$33,341,000 was retained by the trustee for the above purposes and \$50,890,000 was transmitted to the District. The District records the total taxes received as transactions and use tax and the amount retained by the trustee as special deposits and debt service allocations upon receipt of the net amount.

Interest of \$8,379,000 on the 1985 Bonds is payable on July 1, 1986. The first principal payment of \$1,885,000 is due July 1, 1989.

The following is a schedule of principal repayments required under Sales Tax Revenue Bonds as of June 30, 1986 (in thousands): — (at right).

Year Ending June 30	1985 Sales Tax Revenue Bonds
1987	\$ —
1988	—
1989	—
1990	1,885
1991	2,070
Later years	141,045
	<u>\$145,000</u>

6 — Sales Tax Anticipation Notes

The District issued subordinated Sales Tax Anticipation Notes amounting to \$19,860,000 in July 1984. These notes matured on July 1, 1985 and were paid along with interest of \$1,396,000.

In July 1985, the District issued \$21,775,000 in subordinated Sales Tax Anticipation Notes to provide interim financing to defray operating expenses payable from the General Operating Fund of the District, in anticipation of the receipt of taxes, revenue and other monies to be received during or allocable to fiscal year 1985-86. The notes mature on August 1, 1986 with interest of \$1,179,000.

7 — Grant Anticipation Notes

In July 1984, the District sold \$10,900,000 in Grant Anticipation Notes to provide interim financing for certain expenditures prior to the receipt of certain anticipated revenues. The notes, which mature on various dates from May 1, 1985 through January 2, 1987, bear interest at rates ranging from 7.00% to 8.15%. Notes in the amount of \$10,045,000 have matured leaving \$855,000 outstanding at June 30, 1986.

7 — Grant Anticipation Notes (Cont'd)

In November, 1985, the District sold an additional \$45,025,000 in Grant Anticipation Notes. These notes mature on January 31, 1988, March 1, 1988, and May 1, 1988, and bear an interest rate of 6.50%.

8 — U.S. Government Grants — Capital

The U.S. Government, under grant contracts with the District, provides financial assistance for capital projects. Grants for capital projects are recorded as additions to net capital investment when received. A summary of Urban Mass Transportation Administration Grants in force at June 30, 1986 is as follows:

Type of Grant	Maximum Grant	Funds Received
Beautification	\$ 1,961	\$ 1,961
Demonstration	13,355	13,335
Capital	575,137	410,763
	<u>\$590,453</u>	<u>\$426,059</u>

9 — Litigation and Disputes with Contractors and Others

The District is involved in various lawsuits, claims and disputes, which for the most part, are normal to the District's operations. In the opinion of management, the costs that might be incurred, if any, would not materially affect the District's financial position or operations.

10 — Public Employees' Retirement System

The District contributes to the Public Employees' Retirement System. The System is a contributory pension plan providing retirement, disability, and death benefits to employees of certain state and local governmental units. Substantially all full-time employees of the District are covered by the System. Pension costs of the system are determined actuarially and required contributions are expensed currently. Pension expense was \$8,513,000 and \$8,032,000 in 1986 and 1985, respectively.

11 — Deferred Compensation Plan

The District has deposited funds with a custodian pursuant to the District's deferred compensation plan. These deposits together with earnings had a market value of \$24,098,000 as of June 30, 1986. This amount is reflected on the balance sheet in deposits, notes and other receivables and in payroll and other liabilities.

12 — Debt Service Funds, Net Assets

The Debt Service Funds' end-of-year balances include deposits made by the District for principal payments on notes and for the debt service reserve pertaining to Sales Tax Revenue Bonds. These amounts also appear on the balance sheet as deposits, notes and other receivables. The Debt Service Funds, net assets on the balance sheet have, therefore, been decreased by the amount of \$52,335,000 at June 30, 1986 and \$29,925,000 at June 30, 1985.

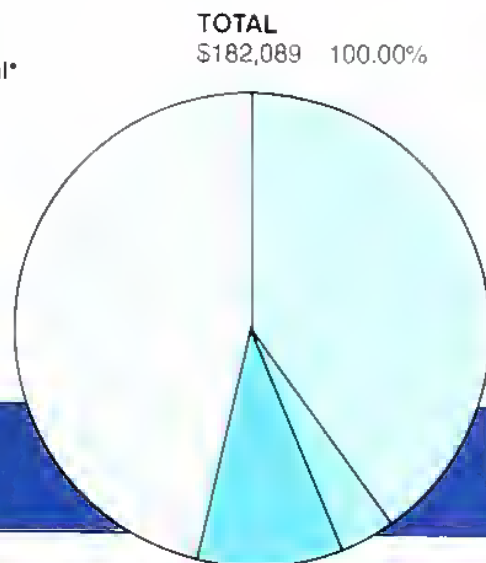
13 — Subsequent Events

In July 1986, the District sold \$18,950,000 in subordinated Sales Tax Anticipation Notes to defray operating expenses payable from the General Operating Fund of the District.

Where Funds Came From (In Thousands)

- Transaction & Use Sales Tax
\$84,231 46.26%
- Fares
\$73,052 40.12%
- Property Tax
\$6,757 3.71%
- Other
\$18,049 9.91%
- Investment Income and Other Operating Revenues
\$9,019 4.95%
- State Financial Assistance
\$1,826 1.00%
- Construction Funds
\$6,629 3.64%
- Regional Financial Assistance
\$564 0.31%
- Decrease in Working Capital*
\$11 0.01%

*Funded excess of expenses over revenues

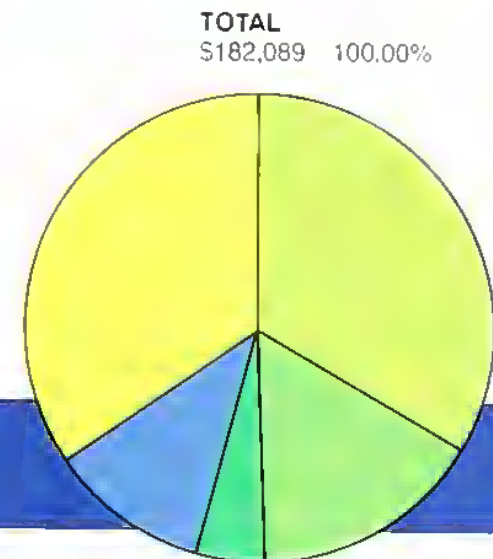


OPERATING FUNDS 1985-86

\$182,089,000

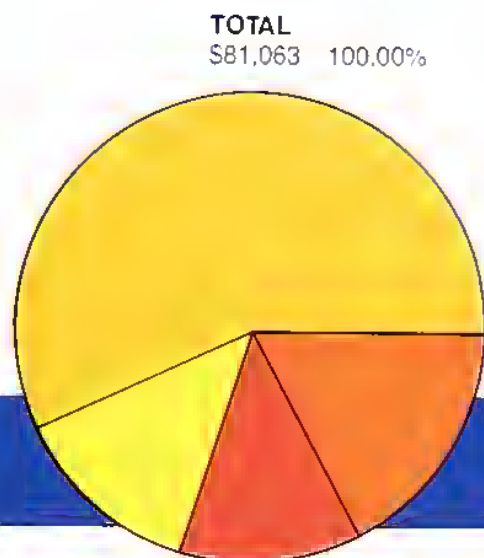
How Funds Were Applied (In Thousands)

- Maintenance
\$63,170 34.69%
- Transportation
\$60,658 33.31%
- General Administration
\$29,497 16.20%
- Police Services
\$8,601 4.73%
- Other
\$20,163 11.07%
- Capital Allocations
\$3,000 1.65%
- Debt Service Allocations
\$11,566 6.35%
- Construction & Engineering
\$5,597 3.07%



Source of Funds (In Thousands)

- District
\$10,707 13.21%
- Federal
\$46,107 56.88%
- State
\$13,885 17.13%
- Local (Including capital allocations)
\$10,364 12.78%

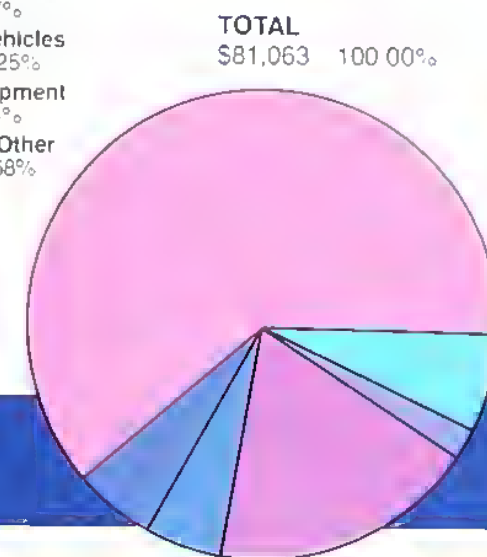


CAPITAL FUNDS 1985-86

\$81,063,000

Expenditures (In Thousands)

- Construction
\$49,888 61.54%
- Line
\$48,690 60.06%
- Systemwide
\$898 1.11%
- Support Facilities
\$300 0.37%
- Train Control
\$5,484 6.77%
- Communications
\$1,719 2.12%
- Transit Vehicles
\$15,052 18.57%
- Miscellaneous Equipment
\$4,317 5.32%
- Automatic Fare Collection
\$1,592 1.96%
- Management Information Systems
\$945 1.17%
- Support Vehicles
\$1,014 1.25%
- Other Equipment
\$766 0.94%
- Studies and Other
\$4,603 5.68%



5 — Sales Tax Revenue Bonds (Cont'd)

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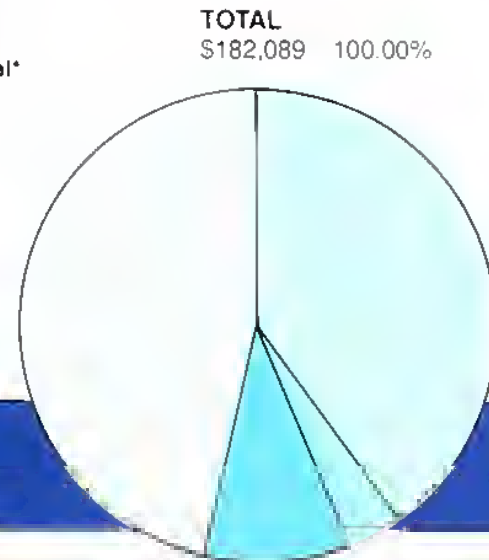
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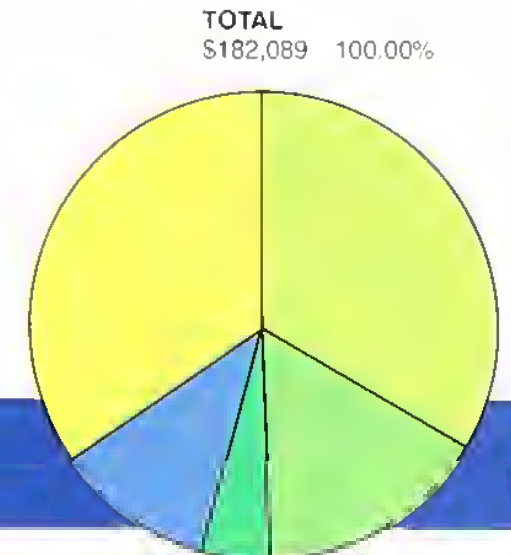
*Funded excess of expenses over revenues



OPERATING FUNDS 1985-86

How Funds Were Applied (In Thousands)

- Maintenance
\$63,170 34.69%
- Transportation
\$60,658 33.31%
- General Administration
\$29,497 16.20%
- Police Services
\$8,601 4.73%
- Other
\$20,163 11.07%
- Capital Allocations
\$3,000 1.65%
- Debt Service Allocations
\$11,566 6.35%
- Construction & Engineering
\$5,597 3.07%



\$182,089,000

Source of Funds (In Thousands)

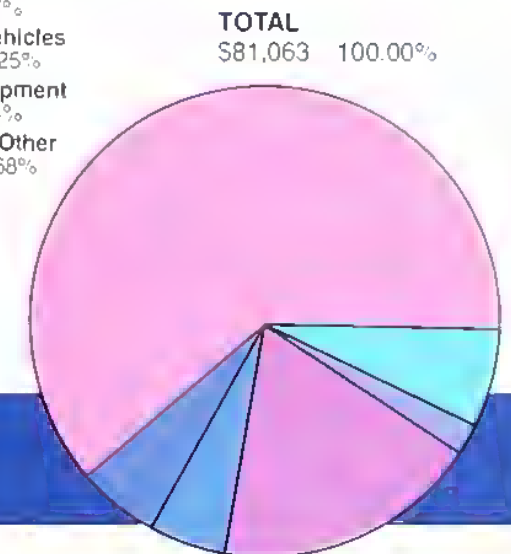
- District
\$10,707 13.21%
- Federal
\$46,107 56.88%
- State
\$13,885 17.13%
- Local (including capital allocations)
\$10,364 12.78%



CAPITAL FUNDS 1985-86

Expenditures (In Thousands)

- Construction
\$49,888 61.54%
- Line
\$48,690 60.06%
- Systemwide
\$898 1.11%
- Support Facilities
\$300 0.37%
- Train Control
\$5,484 6.77%
- Communications
\$1,719 2.12%
- Transit Vehicles
\$15,052 18.57%
- Miscellaneous Equipment
\$4,317 5.32%
- Automatic Fare Collection
\$1,592 1.96%
- Management Information Systems
\$945 1.17%
- Support Vehicles
\$1,014 1.25%
- Other Equipment
\$766 0.94%
- Studies and Other
\$4,603 5.68%



\$81,063,000

Message from the General Manager

Those of us charged with the responsibility for BART's operation must always keep in mind a vital question. That question is, "Are we providing the services that people want?"

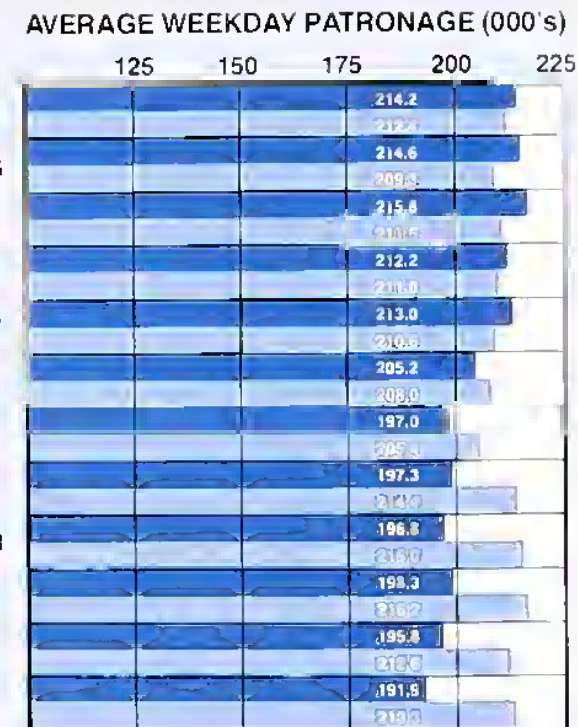
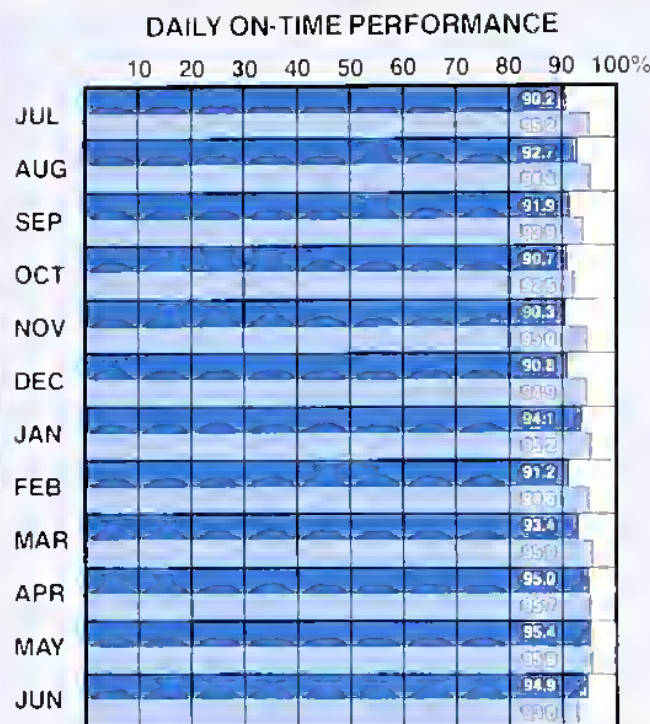
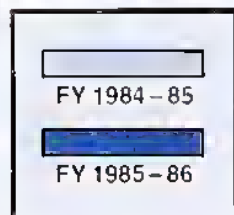
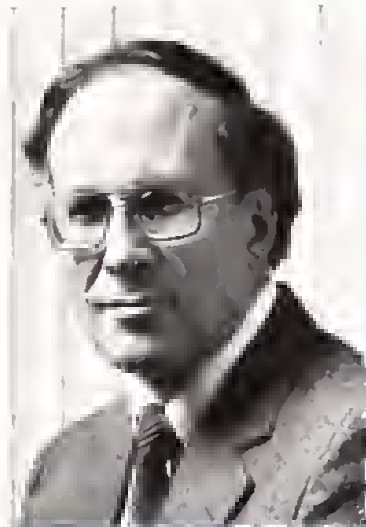
We know that many passengers use BART in the morning and afternoon on weekdays to get to and from work. We know that an increasing number of people also use BART to attend a variety of sporting, holiday and cultural events. We know the trains have been too crowded in recent years to properly serve this growing demand.

BART's capacity expansion program, now about half-way along, will eventually enable us to meet the demands of the peak-travel periods with roughly twice the passenger capacity we have today. However, benefits will begin to appear from this program with the addition of two peak-hour trains this fall. Parking capacity has also been expanded this year and will be expanded further next year. That's part of what BART riders want.

We also know, however, that patterns of ridership change. Transbay travel may be temporarily flattening out, reverse commute trips in the region are growing and peak-hour travel patterns may be changing. We cannot ignore the fact that, beginning in October, 1985, ridership on BART stopped growing, nor has it grown since the fare increase in January.

It's obviously important for us to understand the changes that are taking place in job locations, populations, community growth and transportation preferences so that we can adjust and provide

The challenge to all of us at BART is to keep working on the many things that we know the riders want. We must concentrate on providing the best current service we can, while at the same time building

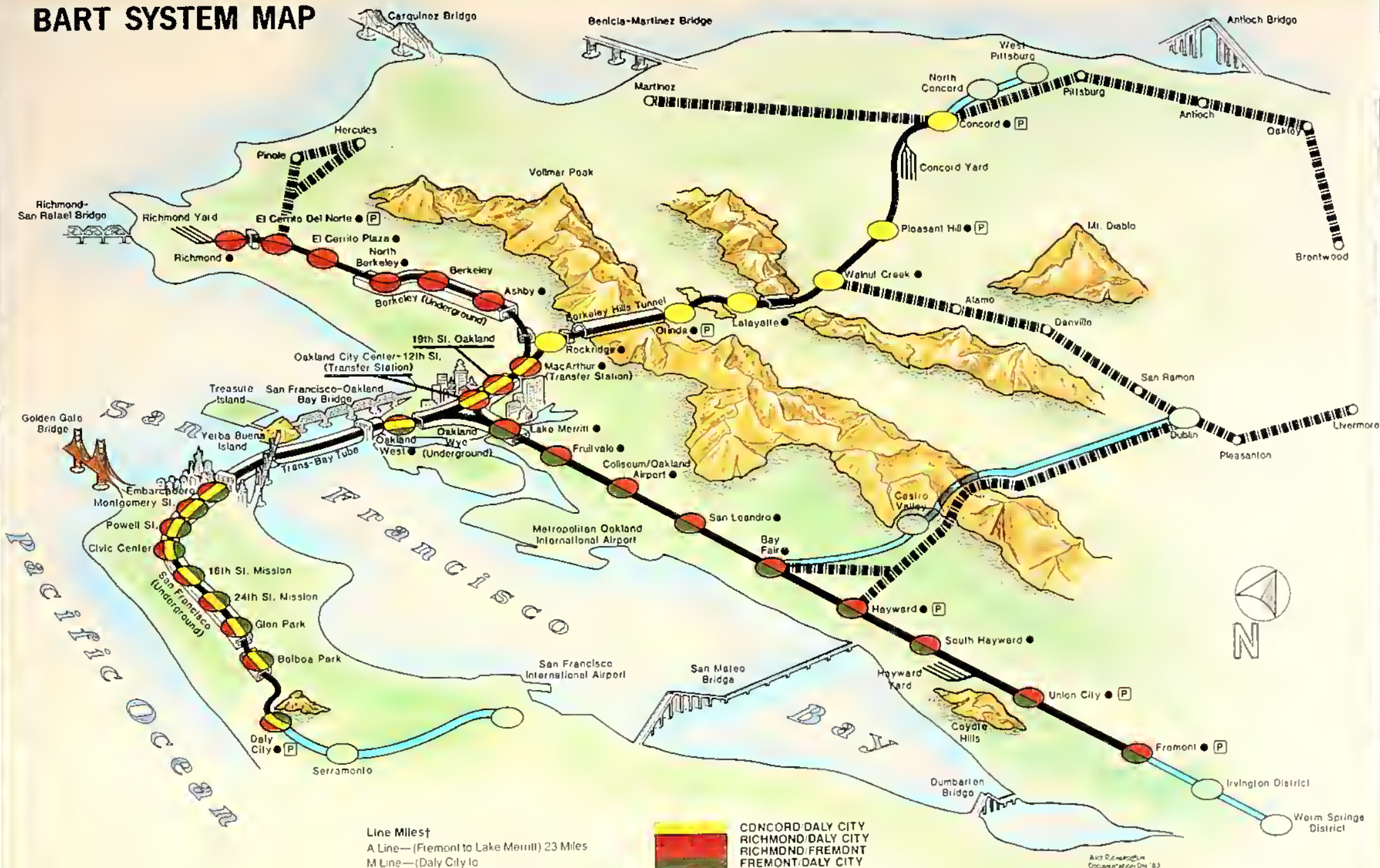


services to meet the changing needs of existing and potential new passengers. It's also important for us to continually strive to provide on-time service, reliable equipment, clean trains and stations, friendly helpful employees, and all the other things, big or small, which we know that riders want.

wisely for the future. We at BART are committed to doing just that.

Keith Bernard
General Manager, BART

BART SYSTEM MAP



System Information

Total number of automobile parking spaces at BART Stations: 24,335 • (10% of these parking spaces for mid-day parking)

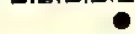
Line Miles†

A Line—(Fremont to Lake Merritt)	23 Miles
M Line—(Daly City to Oakland West)	15 Miles
R Line—(Richmond to MacArthur)	12 Miles
C Line—(Downtown Oakland to Concord)	21.5 Miles
Total Miles	71.5 Miles

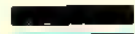
†All miles are calculated from the Oakland WYE



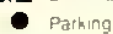
CONCORD/DALY CITY
RICHMOND/DALY CITY
RICHMOND/FREMONT
FREMONT/DALY CITY



BART Express Bus
BART Rail System



BART First Phase Extensions



Parking
Preferential Carpooling

• In accordance with BART Extension Policy adopted on February 2, 1984, stations outside the District are subject to satisfactory cost-sharing arrangement.



NORMAL IDEAL ± IDEAL ± IDEAL ± FRACTION ± ANGULAR ±				CHECKED SPECIFIED R. PACE C. BAXTER DRAWN DATE 10/80	TITLE BART "C" CAR - GENERAL ARRANGEMENT EXTERIOR VIEWS	SIZE D	REF. No. Dwg No. 102317	REV. 0
TOLERANCES UNLESS OTHERWISE SPECIFIED		CHECKED SPECIFIED R. PACE C. BAXTER DATE 10/80		SCALE 3/4" = 1"	BART STOCK No. SHEET OF			

REG
S16
#36
1986-
87



Bay Area Rapid Transit Train, Oakland Bay Area, 1986-1987

Board of Directors



Barclay Simpson

District 1

Board Vice President, 1987. Board President, 1977. A member of the Board since 1977. Chairperson, BART Liaison with the Central Contra Costa Transit Authority, 1987. Member, BART Liaison with Sanfrans. Chairman of the Board, Simpson Company, San Leandro. Owner of the Barclay Simpson Art Gallery, Lafayette. Lives in Orinda.



Nello Bianco

District 2

Board President, 1980, 1980 and 1975. A member of the Board since 1969. BART Representative to the American Public Transit Association Board of Directors, 1987. BART Liaison with Eastern Contra Costa Authority and also with the West Contra Costa Transit Authority, 1987. Businessman. Former Richmond City Comedian. Lives in El Sobrante.



Arthur J. Shartsis

District 3

Board President, 1981. A member of the Board since 1976. Chairperson, Administration Committee, 1987. Vice Chairperson, Engineering and Operations Committee, 1987. A San Francisco attorney. Lives in Oakland.



Margaret K. Pryor

District 4

Board President, 1987. A member of the Board since 1981. Chairperson, BART Liaison with the Alameda-Contra Costa Transit District, 1987. Chairperson, Livermore-Amador Valley Transit Authority Policy Advisory Committee, 1987. Chairperson, MTA Minority Affairs Committee, 1987. Lives in Oakland.



Robert S. Allen

District 5

Board President, 1983. A member of the Board since 1974. Member, BART Liaison with Sanfrans, 1987. Employed 27 years in engineering and operations for three major railroads. Lives in Livermore.



John Glenn

District 6

Board President, 1980. A member of the Board since 1971. Chairperson, Policy Committee, Fremont-South Bay Corridor Study, 1987. Founder and President, John Glenn Adjusters and Administrators. Organizer and Director, Civic Bank of Commerce. Lives in Fremont.



Wilfred T. Ussery

District 7

Board President, 1985. A member of the Board since 1978. Vice Chairperson, Administration Committee, 1987. An urban planner. Active in Bay Area civic organizations. Past National Chairperson, Congress of Racial Equality, 1967 to 1969. Lives in San Francisco.



Arlo Hale Smith

District 8

A member of the Board since 1986. Chairperson, Public Affairs, Access and Legislation Committee, 1987. Member, BART Liaison with Sanfrans, 1987. A San Francisco attorney. Lives in San Francisco.



John H. Kirkwood

District 9

Board President, 1979. A member of the Board since 1971. Chairperson, Engineering and Operations Committee, 1987. Chairperson, BART Liaison with San Francisco Municipal Railway, 1987. Member, BART Liaison with Sanfrans, 1987. Advisory Board member, San Francisco Planning and Urban Renewal (SPUR) Association. Lives in San Francisco.

Message from the President

When I assumed the presidency of the BART Board of Directors in 1987, I said that it would be a year of challenges which would have to be met aggressively if we were to turn our ridership curve upward, remain competitive for the dwindling transit tax dollar, and expand the capacity of our system to meet new travel demands. It was a challenging year, with certain triumphs recorded and other milestones passed with more modest success. On balance, it was a productive year for the District, and made clear certain paths BART must travel if it is to remain one of the premier mass transit systems in the country.

I made as one of my pledges a "back to basics" approach to BART's transit policy direction, and I am pleased to report that gains were made in fulfilling that pledge. BART's basic charge is to move people in a swift, safe and efficient manner. The everyday, mechanical function of the system has to be supported by an out-reaching to the communities we serve to gain the support needed at all political levels to assure acceptance and approval of our programs. I believe we achieved this during 1987. I joined with management in creating ongoing dialogues with local and national officials to win approval of the final elements of our capital funding program, a \$500 million capacity expansion which registered significant progress during my presidency.

We were all encouraged by ridership figures which approached the 200,000-per-day levels we had experienced prior to the fare increase of 1986. The AC/BART PLUS pass, a joint ticketing arrangement, proved successful, as did continuation of the BART/MUNI East Pass with the San Francisco Municipal Railway. Further, the District has become more sensitive to our impact on the

community, which extends beyond our stations, tracks and other facilities. This is reflected in our joint development planning around station sites where we require maximum community input. All BART development must have positive visual and economic impact on the communities and neighborhoods we serve, and not have a negative, diminishing effect.

Our networking with other transit agencies met with mixed results, but I am proud of the progress made during the year on the San Leandro-to-Dublin rail extension, particularly in the selection of BART as the mode for that system extension. We continued to devote great energy to other system expansion proposals, both within and outside BART's three-county borders.

I am particularly proud of the strides BART made in improving access for the disabled community. I ran sensitive edging in our stations to a resolution urging national transit recognition of the need for total accessibility for the handicapped. I have paid particular attention to the needs of the disabled since first becoming a BART Director, and continued that dedication during my presidency.

I am pleased with the progress the District made in employment and contracting opportunities for women and minorities. I am gratified that we continued the training of women in non-traditional jobs.

In summation the year 1987 can be viewed as one of definite progress. I believe it was a year in which we as a policy-making body sharpened our focus on the very reason for our existence—the swift, efficient and safe movement of people from Point A to Point B.



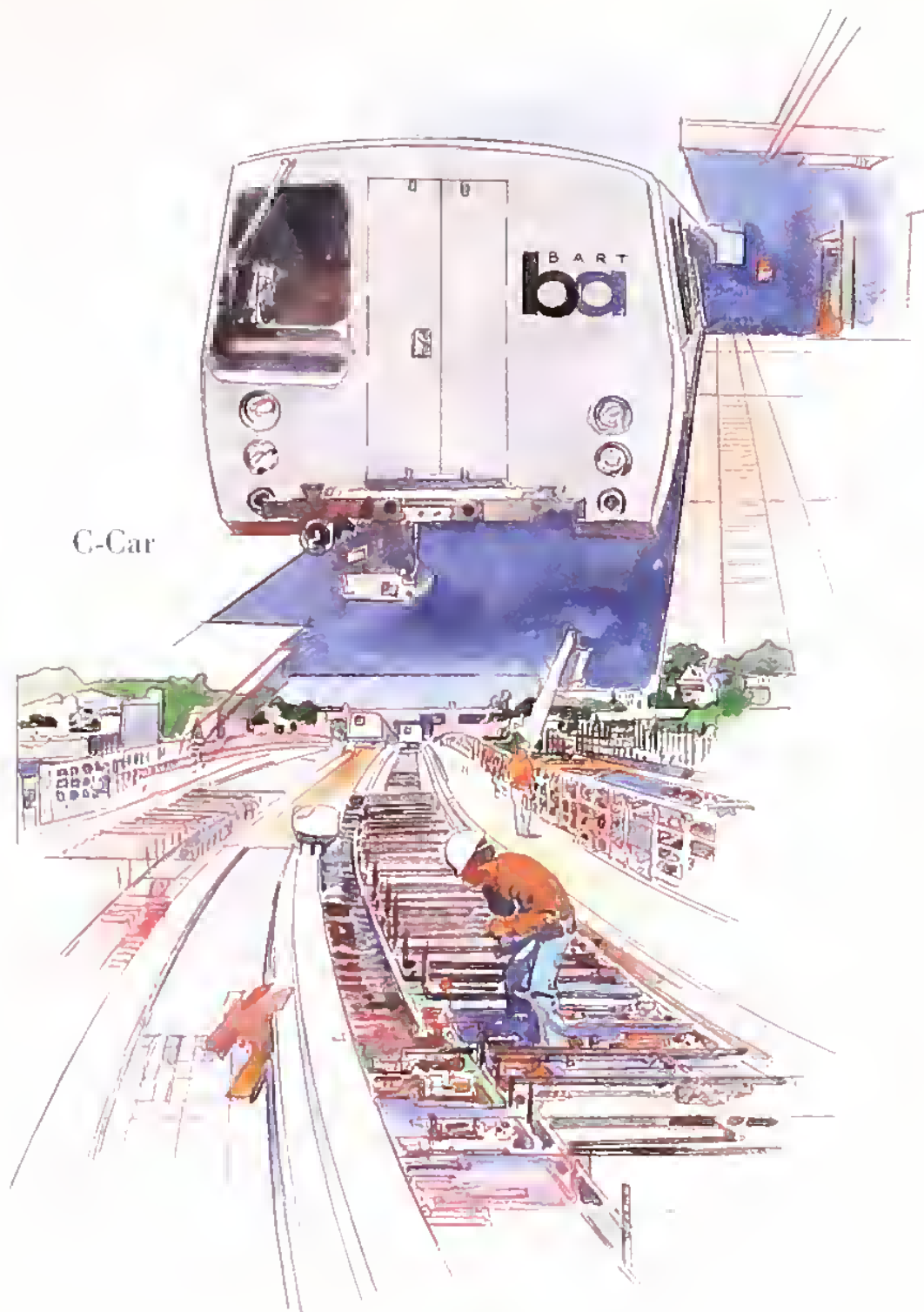
Margaret K. Pryor, President
Board of Directors
San Francisco Bay Area
Rapid Transit District, 1987

DOCUMENTS DEPT.

MAR 15 1988

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PUBLIC LIBRARY

A stylized, handwritten signature in blue ink, likely belonging to Margaret K. Pryor.



C-Car

Daly City Turnback

C-Cars

A key part of BART's long-range program to increase its passenger-carrying capacity is the acquisition of 150 new cars.

Designated the C-Car, the new car shell is being manufactured in France by SOFERVAL, a subsidiary of Alsthom-Atlantique. Final assembly of the cars takes place in Union City, not far from BART's main yard in Hayward.

At the close of the fiscal year on June 30, 1987, the first production cars were scheduled by SOFERVAL to be delivered to BART in November and December.

The prototype test program, production baseline design reviews and first article configuration identification were completed during the final quarter of the fiscal year.

Testing of the prototypes was rigorous, in conformance with the strict requirements of the contract with SOFERVAL. BART has insisted throughout the manufacturing process that the C-Cars must adhere to its contract specifications. SOFERVAL's delivery schedule was approximately two years behind at the close of the fiscal year.

The new cars, besides adding passenger capacity, will provide increased flexibility in the make-up of the trains and allow savings in energy costs for overall fleet operations.

The new cars can be used as a lead car on a train, in the middle or at the end of a train, providing BART with increased flexibility in making and breaking trains at stations, rather than in the yards. The District's present A-cars, which cannot be inserted in the middle of a train, seriously reduce BART's ability to break up longer trains into shorter ones for off-peak service and then to re-assemble them to meet peak-service demand.

Total cost of the new C-Cars, including a new on-board automatic train control system, is estimated at \$228.3 million, approximately \$50 million less than the original bid price.

Daly City Turnback and Yard

Construction of the Daly City Turnback and Yard continued smoothly during the year and was \$8 million under original estimates.

When completed, the project will provide BART with train storage and maintenance capabilities on the west side of San Francisco Bay. Trains will not have to be returned daily to East Bay facilities for maintenance. With its new track configuration, the Turnback will allow trains to be reversed to return to East Bay destinations at more frequent intervals.

In May, special 780-foot-long rails for the Turnback project were moved from BART's Hayward yard and laid on the Turnback during the night, to avoid any interruption of regular passenger service.

The Turnback was scheduled for completion in July, 1988, with the Yard's completion scheduled for March, 1989. Total cost of the project is estimated at \$144.3 million.

Wayside Control

BART's Wayside Train Control modification project continued on schedule. The modifications include changes to the command controls located along the tracks throughout the system and in stations. The modifications will enable closer train spacing and a more even flow of trains throughout the system, thus increasing BART's capacity to carry passengers.

Estimated to cost \$14.9 million, the new system is scheduled for completion by July, 1989. Part of the cost will be covered by a grant of \$8 million from the Urban Mass Transportation Administration.



Integrated
Control System
(ICS)

Automatic Train Control (ATC)

System Access

Access to BART—the ability to conveniently reach its stations and trains—improved markedly during the year.

A comprehensive program is under way to increase the parking capacity at BART stations by 50 percent over the next five years. The number of new parking spaces made available this past year amounted to 1,532, bringing to 25,526 the total parking spaces at BART stations.

Nearing completion at the close of the fiscal year were parking expansions at the Fremont Station, 391 spaces; the Fruitvale Station, 238; and the San Leandro Station, 160. Plans were also completed for expansions at Lafayette, 293 spaces, and Orinda, 250.

In addition, the 213-space West Pittsburg Park/Ride facility was opened in July, 1986, with direct connection to the Concord Station by BART express buses. In March, 1987, the North Concord Park/Ride lot was opened. It provides 530 parking spaces and is served by express bus routes, linking communities in eastern Contra Costa County with the Concord Station.

A joint AC/BART PLUS ticket became available early in 1987, providing a discount to riders using both systems. The number of off-site BART ticket sales outlets was increased to 217 by June 30, 1987, including retailers, employers, schools, financial institutions and community groups.

Within the stations themselves, modifications to elevators continued, providing improved access to handicapped patrons. Work began on a system-wide installation of brightly colored textured tile on platform edges, following extensive evaluation of several methods to improve the detection of the platform edge by vision-impaired patrons.



BART Express Buses

Affirmative Action

BART's efforts to hire and promote minority, women and handicapped employees continued during the year.

Those efforts included identifying and analyzing job vacancies, recruitment, information programs about job availabilities, contact with community, educational, governmental, professional and business organizations and training.

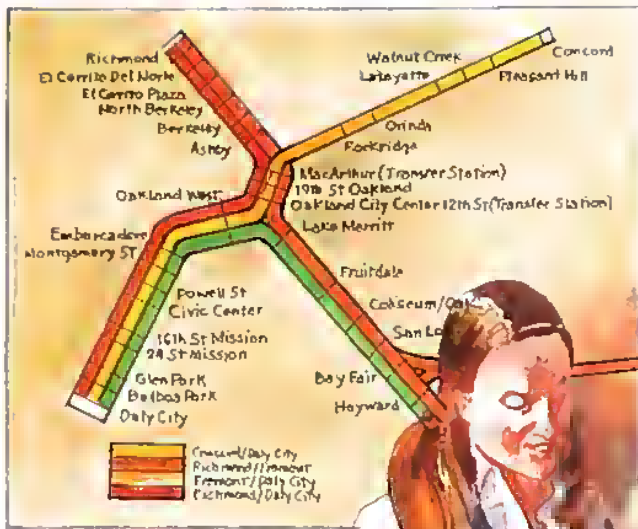
The long-range objective of BART's Affirmative Action program, which was adopted by the Board of Directors in 1983, is to achieve a representative work force that reflects the availability for hire of women and minorities in the Bay Area.

It is the District's policy that minority business enterprises (MBE), including disadvantaged and women-owned businesses, be afforded the maximum practical opportunity to participate in performance of all District contracts and agreements.

Out of the District's total procurement, the MBE participation achieved was over 25 percent, which exceeded the objective of 21 percent for the year. This was accomplished through extensive outreach effort and active sponsoring of trade fairs.



Patronage



Dublin Extension

Fire Hardening

BART's \$20.7 million Vehicle Fire Hardening project, which included all of BART's passenger cars, was completed in August, 1987. BART's cars rank among the most fire-safe transit vehicles in the nation.

The project included the replacement of walls and ceilings, the installation of fire-stops in the walls and ceilings, the laying of new floors and the reinforcement with special fire-safe and fire-retardant materials of other parts under the cars where heat and fire might be generated.

Special Services

BART provided special service during the year for holiday shopping, musical and sporting events at the Oakland Coliseum, the Bay-to-Breakers run and the observance of the 50th anniversary of the opening of the Golden Gate Bridge in 1937.

The shopping specials provided extra trains on four Sundays preceding Christmas for shoppers bound for downtown Oakland and San Francisco.

BART dispatched trains from the East Bay into San Francisco beginning at 3 a.m. for the observance of the Golden Gate Bridge's 50th anniversary.



Station Agents

BART Police

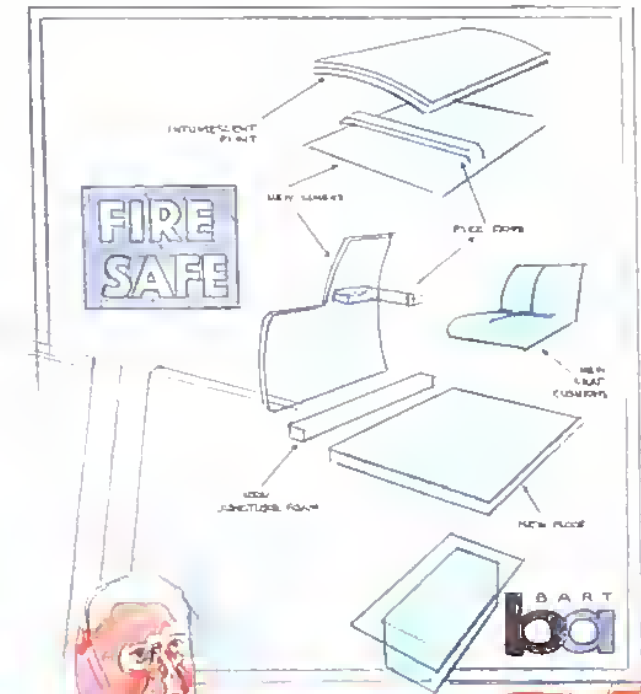
On-Time Performance

BART's record of performance in getting passengers to their destination on time improved markedly during the year. On-time performance by BART had fallen below District objectives during the previous year, primarily because of the construction of the K-E Track in downtown Oakland.

In November, 1986, following the completion of the Fire Hardening project, which withdrew cars from service for necessary safety modifications, BART added two trains to its peak-time Concord-Daly City and Fremont-Daly City schedules. The trains were added without any disruption of service or lessened on-time reliability, reflecting BART's overall plan to gradually boost its passenger-carrying capacity without disrupting current operations.

These two trains brought to 45 the total of trains available for peak-hour service on weekdays. Average car availability at 4 a.m. on weekdays during the fiscal year was 387.

Fire Safety

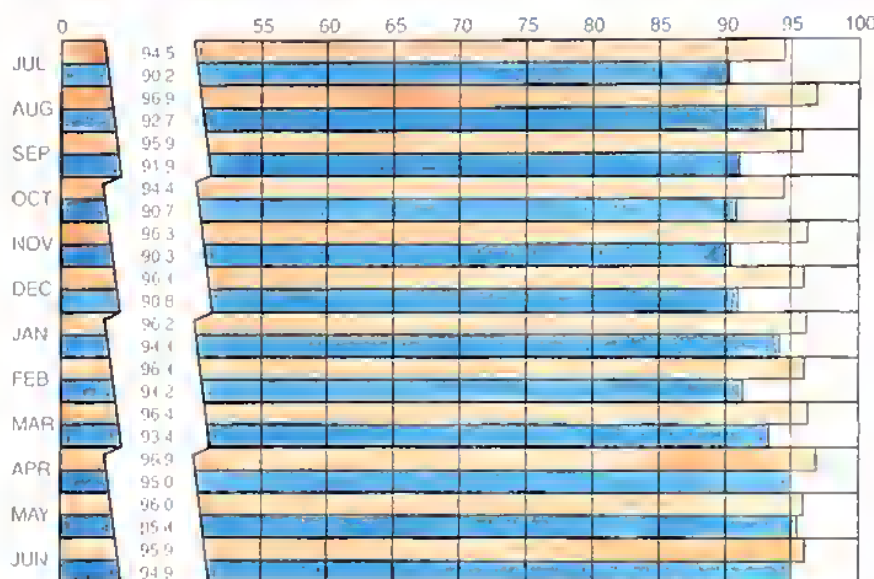


Senior and
Handicapped
Access

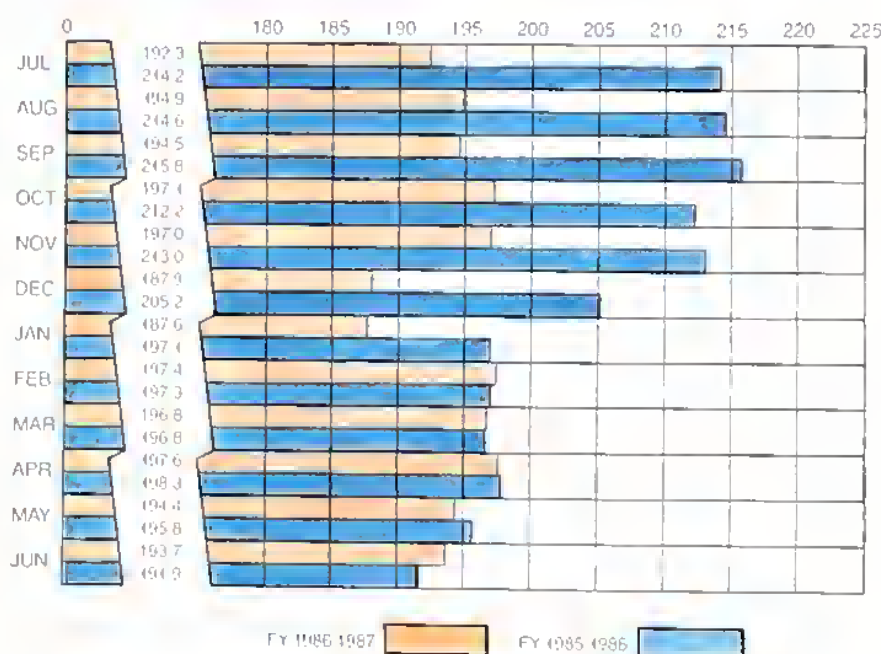


Performance Highlights

Daily On-Time Performance



Average Weekday Patronage (000's)



During the fiscal year 1986-1987, BART patronage declined by 2.6 million passengers from the prior year, although passenger revenues increased by \$1.6 million. Total operating revenues reached an all-time high of \$84.6 million.

BART funded 52.2 percent of its total operating expenses, which amounted to \$162.2 million (excluding depreciation) for FY 86-87, from passenger fares and other operating revenue. This is up from 51.0 percent during the prior fiscal year. A long-standing District objective is to fund approximately one-half of its net rail operating expenses from operating revenues.

Net passenger revenue for FY 86-87 amounted to \$77.7 million, compared to \$73.1 million for FY 85-86. Total operating revenue, including almost \$7 million in interest income, advertising in trains and stations, and other income, was \$84.6 million for FY 86-87, compared with \$82.1 million for the previous fiscal year.

BART's fuel-to-revenue ratio, which relates net passenger revenues to net operating expenses, was 47.9 percent for FY 86-87, an increase over the figure of 45.1 percent for FY 85-86.

Net rail passenger revenue per passenger mile for FY 86-87 was 11.1 cents, up from the previous

year's 9.6 cents. Rail operating costs per passenger mile for FY 86-87 was 21.1 cents, compared with 19.6 cents for FY 85-86.

Annual passenger trips during FY 86-87 totaled 56.2 million, compared with 58.9 million for the previous year, with an average of 12.1 miles for each trip during FY 86-87, compared with 12.8 miles the year before.

In addition to funds derived from passenger fares, interest income and advertising, BART received \$87.1 million in revenues from 75 percent of the one-half cent transit sales tax in the three BART counties, \$1.0 million in state and local funds and \$7.1 million in property tax available for operations. Of the \$87.1 million derived from the sales tax, \$13.5 million was allocated to debt service and \$73.6 million was made available for operations.

Directors reduced the property tax rate on the levy for repayment of the general obligation bonds approved by voters in 1962 for construction of the system. Directors set a tax rate of 4.21 cents per \$100 of assessed value, down from 5.08 cents for the previous fiscal year. The property tax generated revenues of \$17.8 million from property owners in Alameda, Contra Costa and San Francisco counties, the three counties making up the District.

	FY 1986-87	FY 1985-86
Rail Ridership		
Annual passenger trips	56,240,997	58,894,468
Average weekday trips	194,226	204,244
Average trip length	12.4 miles	12.8 miles
Annual passenger miles	695,944,275	751,848,613
Patron trip on-time performance (%)	94.4%	89.1%
System utilization ratio (passenger miles to available seat miles)	31.9%	34.2%
End-of-period ratios		
Peak patronage	49.1%	49.2%
Offpeak patronage	50.9%	50.8%
BART's estimated share of peak period transbay trips — cars, trains & buses (a)	37.0%	37.8%
Operations		
Annual revenue car miles	30,266,578	30,489,648
Unscheduled train removals — average per revenue day	4.2	5.2
Transit car availability to revenue car fleet (b)	91.1%	89.1%
Passenger miles per equivalent gallon of gasoline	75.3	79.2
Passenger accidents reported per million passenger trips	16.09	16.62
Patron-related crimes reported per million passenger trips	33.20	26.35
Financial		
Net passenger revenues	\$ 77,654,000	\$ 73,052,000
Other operating revenues	6,970,000	9,019,000
Total operating revenues	84,624,000	82,071,000
Net operating expenses (excluding depreciation)	162,202,000	160,894,000
Farebox ratio (net passenger revenues to net operating expenses)	47.87%	45.40%
Operating ratio (total operating revenues to net operating expenses)	52.17%	51.01%
Net rail passenger revenue per passenger mile	11.1c	9.6c
Rail operating cost per passenger mile	21.1c	19.6c
Net average rail passenger fare (c)	\$1.37	\$1.22

Notes

General note: Data represent annual averages unless otherwise noted.

(a) Based on MTC Transbay survey data for October 1986 and April 1987 (7-9 a.m. 4-6 p.m.)

(b) At 8 a.m. each day

(c) Includes BART/MUNI Fast Pass

ADAMS, GRANT, WERNER & CO

135 CALIFORNIA ST., SUITE 1500
SAN FRANCISCO, CALIF. 94102

KPMG Peat Marwick

Peat Marwick Main & Co.

San Francisco

San Francisco

Certified Public Accountants

The Board of Directors
San Francisco Bay Area
Rapid Transit District

We have examined the balance sheets of San Francisco Bay Area Rapid Transit District as of June 30, 1987 and 1986, and the related statements of operations, capital and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of San Francisco Bay Area Rapid Transit District at June 30, 1987 and 1986, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles, consistently applied during the periods subsequent to the change, with which we identify, made as of July 1, 1987 as described in note 2 to the financial statements.

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the Reconciliation of Funded Operating Expenses in Excess of Revenues is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Adams Grant Werner & Co. Peat Marwick Main & Co.

San Francisco, CA 94102

Financial Statements

BALANCE SHEETS

June 30, 1987 and 1986 (In Thousands)

	1987	1986 (As restated — see note 2)
ASSETS		
Cash (including time deposits — 1987, \$19,340; 1986, \$26,027)	\$ 22,124	28,158
Securities	331,483	329,578
Deposits, notes and other receivables	102,408	96,769
Construction in progress	182,035	119,390
Facilities, property and equipment — at cost (less accumulated depreciation and amortization — 1987, \$381,106, 1986, \$350,550)	1,317,309	1,301,209
Materials and supplies — at average cost	14,680	14,279
	<u>\$1,970,039</u>	<u>1,889,383</u>
LIABILITIES AND CAPITAL		
Notes payable	63,975	67,655
Payroll and other liabilities	80,915	61,917
Unearned passenger revenue	1,584	1,577
General Obligation Bonds	470,240	504,905
Sales Tax Revenue Bonds	145,000	145,000
	<u>761,714</u>	<u>781,054</u>
Capital		
Reserves	27,580	32,223
Grants and contributions, net	672,416	610,402
Accumulated net revenues	508,329	465,704
	<u>1,208,325</u>	<u>1,108,329</u>
	<u>\$1,970,039</u>	<u>1,889,383</u>

See accompanying notes to financial statements

STATEMENTS OF OPERATIONS

Years Ended June 30, 1987 and 1986 (In Thousands)

	1987				1986
	Operating fund	Construction funds	Debt service funds	Combined total	(As restated — see note 2)
Operating revenues:					
Fares	\$ 87,866	—	—	87,866	80,898
Less discounts and other deductions	10,212	—	—	10,212	7,846
	77,654	—	—	77,654	73,052
Other (including investment income)	6,970	—	—	6,970	9,019
Total operating revenues	84,624	—	—	84,624	82,071
Operating expenses:					
Transportation	61,912	—	—	61,912	60,658
Maintenance	63,977	—	—	63,977	63,170
Police services	8,905	—	—	8,905	8,601
Construction and engineering	5,997	—	—	5,997	5,597
General and administrative	28,746	—	—	28,746	29,497
Depreciation	31,800	—	—	31,800	34,351
	201,337	—	—	201,337	201,874
Less capitalized costs	7,335	—	—	7,335	6,629
Net operating expenses	194,002	—	—	194,002	195,245
Operating loss	(109,378)	—	—	(109,378)	(113,174)
Other revenues (expenses)					
Transactions and use tax	73,617	—	13,474	87,091	84,231
Property tax	7,412	—	51,102	58,514	61,779
State financial assistance	479	—	—	479	1,826
Local financial assistance	548	—	—	548	564
Other investment income	—	24,462	5,254	29,716	20,543
Accrued interest from bond sale	—	—	—	—	873
Interest expense	—	—	(39,127)	(39,127)	(30,769)
Service expense	—	—	(18)	(18)	(34)
Cost of 1982 Sales Tax Revenue Bonds defeasance	—	—	—	—	(4,594)
Total other revenues	82,056	24,462	30,685	137,203	134,419
Net revenues (expenses)	(27,322)	24,462	30,685	27,825	21,245
Depreciation of assets acquired with grants and contributions by others	14,662	—	—	14,662	16,411
Amount transferred to accumulated net revenues	\$ (12,660)	24,462	30,685	42,487	37,656

STATEMENTS OF CAPITAL

Years Ended June 30, 1987 and 1986 (In Thousands)

	Reserves	Grants and contributions	Accumulated net revenues	Total
Balances at June 30, 1985, as previously reported	\$ 32,939	563,775	412,667	1,009,381
Adjustment to include debt service funds previously not included in operations (note 2)	—	—	17,665	17,665
Balances at June 30, 1985, as restated	32,939	563,775	430,332	1,027,046
Amount transferred to accumulated net revenues, as restated	—	—	37,656	37,656
Other additions (deductions)				
Capital designations	—	3,000	(3,000)	—
Decrease in reserves	(716)	—	716	—
Grants and contributions	—	60,038	—	60,038
Depreciation and retirements of assets acquired with grants and contributions	—	(16,411)	—	(16,411)
Balances at June 30, 1986, as restated	32,223	610,402	465,704	1,108,329
Amount transferred to accumulated net revenues	—	—	42,487	42,487
Other additions (deductions)				
Capital designations	—	4,505	(4,505)	—
Decrease in reserves	(4,643)	—	4,643	—
Grants and contributions	—	72,171	—	72,171
Depreciation and retirements of assets acquired with grants and contributions	—	(14,662)	—	(14,662)
Balances at June 30, 1987	<u>\$ 27,580</u>	<u>672,416</u>	<u>508,329</u>	<u>1,208,325</u>

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years Ended June 30, 1987 and 1986 (In Thousands)

	1987	1986 (As restated — see note 2)
Cash and securities provided by Operations		
Net amount transferred to accumulated net revenues	\$ 42,487	37,656
Add expenses not requiring cash		
Depreciation of assets acquired with own funds	17,138	17,940
Cash and securities provided by operations	59,625	55,596
Issuance of Sales Tax Revenue Bonds	—	145,000
Issuance of Sales Tax Anticipation Notes	18,950	21,775
Issuance of Grant Anticipation Notes	—	45,025
Contributions from U.S. Government grants and others	72,171	60,038
Increase in payroll and other liabilities	18,998	9,782
Increase in unearned passenger revenue	7	193
Total cash and securities provided	<u>169,751</u>	<u>337,409</u>
Cash and securities applied to		
Increase in deposits, notes and other receivables	5,639	34,015
Increase in construction in progress	62,645	31,430
Additions to facilities, property and equipment	47,900	36,978
Additions to materials and supplies	401	1,214
Matured Sales Tax Revenue Bonds	—	545
Matured Sales Tax Revenue Bonds	—	63,965
Matured General Obligation Bonds	34,665	32,820
Matured Sales Tax Anticipation Notes	21,775	19,860
Matured Grant Anticipation Notes	855	5,735
Net effect of restatement of debt service funds	—	571
Total cash and securities applied	<u>173,880</u>	<u>227,133</u>
Increase (decrease) in cash and securities	<u>\$ (4,129)</u>	<u>110,276</u>

1. Summary of Significant Accounting Policies**a. Description of District**

The San Francisco Bay Area Rapid Transit District is a public agency created by the legislature of the State of California in 1957 and regulated by the San Francisco Bay Area Rapid Transit District Act, as amended. The District does not have stockholders or equity holders and is not subject to income tax. The disbursement of all funds received by the District is controlled by statutes and by provisions of various grant contracts entered into with Federal and State agencies.

b. Securities

As a matter of policy, the District holds investments until their maturity and, accordingly, securities are carried at amortized cost.

c. Facilities, Property and Equipment

Facilities, property and equipment are carried at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The amount of depreciation of assets acquired with District funds is distinguished from depreciation of assets acquired with grants and contributions by others. The latter amount is charged to capital with the related grants and contributions.

d. Federal and State Grants

The District receives amounts from both Federal and State governments to assist in operations and for capital or other projects. Grants for capital and other projects are recorded as additions to capital when received. Grants for operating expenditures are included as financial assistance in the statement of operations.

e. Transactions and Use Tax (Sales Tax) Revenue

The one-half percent transactions and use tax is collected and administered by the State Board of Equalization. Of the amounts available for distribution, 75% is transmitted directly to the District's appointed trustee for the purpose of paying bond and note interest, principal and expenses. Monies not required for these purposes are transmitted to the District. The District records the total taxes received as revenue. The State Board of Equalization estimates that transactions and use tax revenues for the period April 1, 1987 to June 30, 1987 will be approximately \$19,538,000. Of this amount, \$5,861,000 had been received and recorded by the District. Comparable figures for 1986 were \$19,305,000 and \$5,791,500, respectively.

f. Property Tax Revenue

The District receives property tax revenues to service the debt requirements of the General Obligation Bonds. It also receives an allocation of property tax revenues to provide for general and administrative expenses not involving construction, although such revenues may be used for construction if needed. The District records both amounts as property tax revenue.

g. Self-Insurance

The District is largely self-insured for workers' compensation, general liability claims, and major property damage. The District records the costs of self-insured claims and major property damage when they are incurred.

h. Capital Designations

The Board of Directors designates a portion of accumulated net revenues for capital projects.

i. Capitalization of Interest

The District capitalizes certain interest revenue and expenditures related to tax-free borrowings in accordance with Statement of Financial Accounting Standards 62. The net effect of this capitalization is to decrease construction in progress by \$1,136,000 in 1987 and \$8,670,000 in 1986, representing excess interest revenue from applicable borrowings over interest expenditures.

2. Change of Accounting Method

The accounting method of the District has been changed effective July 1, 1985 in accordance with generally accepted accounting principles applicable to the method of accounting for proprietary funds. In this method, the measurement focus is based upon determination of net revenues, financial position, and changes in financial position in a manner similar to a private business enterprise.

3. Cash

State of California statutes require that all depositories holding public funds collateralize deposits in one or more of three classes of security pools held by an agent of the depository. Most of the District's deposits are in the pool where the market value of the collateral in the pool is required to be at least 110% of deposits and conforms with the statutes as administered by the State of California Superintendent of Banks.

The carrying amount and bank balance of the cash at June 30, 1987 is as follows (in thousands).

	Carrying amount	Bank balance
Cash on hand	\$ 1,019	—
Insured (FDIC/FSLIC)	769	796
Collateralized with securities pledged by financial institutions	20,336	20,247
Total	\$ 22,124	21,043

4. Securities

State of California statutes and District policy authorize the District's Treasurer to invest in U.S. Treasury bills, notes and bonds, Federal agency bonds, notes, and discount notes,

Bankers' Acceptances, repurchase and reverse repurchase agreements and negotiable certificates of deposit. All of the District's investments comply with the above policy and statutes.

The District's investment securities are categorized below by type to give an indication of the level of credit risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes investments for which the securities are held by the counterparty's trust department in the District's name. Category 3 includes investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

At June 30, 1987 the amortized cost, market value and category of credit risk of the District's investment securities are as follows (in thousands).

	Category			Amortized cost	Market value
	1	2	3		
U.S. Treasury Notes	\$ 38,665	—	—	38,665	39,210
Federal Agency Obligations	221,667	53,096	—	274,763	275,593
Repurchase Agreements	18,055	—	—	18,055	18,055
Total	\$ 278,387	53,096	—	331,483	332,858

5. Reserves

Included in Securities on the Balance Sheet is \$27,580,000 and \$32,223,000 in 1987 and 1986, respectively, representing designation by the Board of Directors of a portion of the District's accumulated net revenues as reserves for the following purposes:

	1987	1986
	(in thousands)	
Basic System Completion	\$10,467	10,421
System Improvement	2,735	6,371
Construction	1,878	2,931
Self-Insurance	9,000	9,000
Operating	3,500	3,500
	\$27,580	32,223

6. Facilities, Property and Equipment (in Thousands)

Facilities, property and equipment, assets lives, and accumulated depreciation and amortization at June 30, 1987 and 1986 are summarized as follows.

	Lives (Years)	1987		1986	
		Cost	Accumulated depreciation and amortization	Cost	Accumulated depreciation and amortization
Land	—	\$ 161,865	—	135,325	—
Improvements	80	1,101,692	179,607	1,088,998	165,854
System-wide operation and control	20	131,472	68,264	125,581	61,823
Revenue transit vehicles	30	165,327	70,730	164,598	65,241
Service and miscellaneous equipment	3 to 20	25,414	15,656	24,357	14,079
Capitalized construction and start-up costs	30	105,067	43,965	105,217	40,874
Repairable property items	30	7,578	2,884	7,683	2,679
		<u>\$1,698,415</u>	<u>381,106</u>	<u>1,651,759</u>	<u>350,550</u>

7. General Obligation Bonds (in Thousands)

	Composite Interest Rate	Year Last Series Matures	Original Amount		1987		1986	
			Authorized	Issued	Due in 1 Year	Total	Due in 1 Year	Total
1962 District Bonds	3.90%	1999	\$792,000	792,000	36,250	463,950	34,225	498,175
1966 Special Service District Bonds	4.38%	1998	20,500	12,000	460	6,290	440	6,730
			<u>\$812,500</u>	<u>804,000</u>	<u>36,710</u>	<u>470,240</u>	<u>34,665</u>	<u>504,905</u>

In 1962, voters of the member counties of the District authorized a bonded indebtedness totaling \$792 million of General Obligation Bonds. Payment of both principal and interest is provided by the levy of District-wide property taxes. During 1966, City of Berkeley voters formed Special Service District No. 1 and authorized the issuance of \$20.5 million of General Obligation Bonds for construction of subway extensions within that city. Payment of both principal and interest is provided by taxes levied upon property within the Special Service District. Bond principal is payable annually on June 15 and interest is payable semiannually on June 15 and December 15. Interest of \$9,243,000 and \$9,996,000 on General Obligation Bonds and \$138,000 and \$148,000 on Special Service District No. 1 Bonds is payable on December 15, 1987 and 1986, respectively.

The following is a schedule of principal repayments required under General Obligation Bonds as of June 30, 1987 (in thousands):

Year Ending June 30	1962 District Bonds	1966 Special Service District Bonds	Total
1988	\$ 36,250	460	36,710
1989	38,400	480	38,880
1990	40,200	500	40,700
1991	33,700	520	34,220
1992	34,975	540	35,515
Later years	280,425	3,790	284,215
	<u>\$463,950</u>	<u>6,290</u>	<u>470,240</u>

8. Sales Tax Revenue Bonds (in Thousands)

	Year Last Series Matures	Original Amount			1987		1986	
		Authorized	Issued	Defeased	Due in 1 Year	Total	Due in 1 Year	Total
1969 Sales Tax Revenue Bonds	1977	\$150,000	150,000	—	—	—	—	—
1982 Sales Tax Revenue Bonds	2008	65,000	65,000	63,965	—	—	—	—
1985 Sales Tax Revenue Bonds	2011	145,000	145,000	—	—	145,000	—	145,000
		<u>\$360,000</u>	<u>360,000</u>	<u>63,965</u>	<u>—</u>	<u>145,000</u>	<u>—</u>	<u>145,000</u>

8. Sales Tax Revenue Bonds (cont'd)

The 1969 Legislature of the State of California authorized the District to impose a one-half percent transactions and use tax within the District and issue Sales Tax Revenue Bonds totaling \$150 million. The State Legislature later extended the tax to June 30, 1978 and authorized the District to issue bonds totaling \$24 million to be used for operations. Payment of these Sales Tax Revenue Bonds was completed by June 30, 1978.

On September 30, 1977, the Governor signed legislation which extended the transactions and use tax indefinitely. The tax is collected and administered by the State Board of Equalization. Of the amounts available for distribution, 75% is allocated to the District and 25% is allocated by the Metropolitan Transportation Commission to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services on the basis of regional priorities established by the Commission.

In October 1982, the District issued revenue bonds totaling \$65 million to pay a portion of the cost of acquisition of 150 rail transit vehicles and related automatic train control equipment for use in the District's existing rapid transit system. The 1982 Bonds were special obligations of the District payable from and secured by a pledge of revenues, including certain sales tax revenues, all passenger fares and certain property tax revenues. Bond coupon rates ranged from 7% to 10% depending upon the various maturity dates.

In November 1985, the District issued revenue bonds totaling \$145,000,000 to refund and defease \$63,965,000 outstanding principal amount of the bonds issued in 1982, and to finance certain system improvements. The System improvements currently planned or underway include acquisition of 150 rail transit vehicles and associated capacity increase projects, new parking facility construction and improvements to existing lots, land and right-of-way acquisitions, enhancements to train performance systems, and system route extension studies.

The District recognized \$4,594,000 as a cost of defeasance in the statement of operations during the year ended June 30, 1985, representing the difference between the book value of the bonds net of unamortized discount less the amount transferred to the Trustee.

The 1985 Bonds are special obligations of the District secured by a pledge of the sales tax revenues and are payable from revenues, including all sales tax revenues, all passenger fares, certain property tax revenues, and certain interest grants and other income. Bond interest rates range from 6.40% to 9.00% depending upon the various maturity dates. The bonds maturing on or after July 1, 1995 are redeemable prior to maturity at the option of the District beginning July 1, 1995 on various dates at prices ranging from 103% to 100%. The bonds maturing July 1, 2004 and July 1, 2011 are also subject to redemption prior to maturity on or after July 1, 1998 and July 1, 2005, respectively, at 100%.

Taxes collected by the State Board of Equalization are transmitted directly to the appointed trustee for the purpose of paying bond interest semiannually on July 1 and January 1, principal annually on July 1 and expenses of the trustee. Monies not required for these purposes are transmitted to the District. Additionally, the trustee retains amounts needed for the payment of principal and interest on \$18,950,000 Sales Tax Anticipation Notes maturing on July 14, 1987 (see note 9). Taxes received by the trustee during the year ended June 30, 1987 were \$87,091,000 of which \$32,424,000 was retained by the trustee for the above purposes and \$54,667,000 was transmitted to the District. The District records the total taxes received by the Trustee as transactions and use tax revenue.

Year Ending June 30	1985 Sales Tax Revenue Bonds
Interest of \$6,284,000 on the 1985 bonds is payable on July 1, 1987. The first principal payment of \$1,885,000 is due July 1, 1989.	\$ —
The following is a schedule of principal repayments required under Sales Tax Revenue Bonds as of June 30, 1987 (in thousands):	1,885
	2,070
	2,270
	138,775
	<u>\$145,000</u>

9. Sales Tax Anticipation Notes

The District issued subordinated Sales Tax Anticipation Notes amounting to \$21,775,000 in July 1985. These notes matured on August 1, 1986 and were paid along with interest of \$1,179,000.

In July 1986, the District issued \$18,950,000 in subordinated Sales Tax Anticipation Notes to provide interim financing to delay operating expenses payable from the Operating Fund of the District, in anticipation of the receipt of taxes, income, revenue and other monies to be received during or allocable to fiscal year ended June 30, 1987. The notes matured on July 14, 1987 with interest of \$888,000.

10. Grant Anticipation Notes

In July 1984, the District sold \$10,900,000 in Grant Anticipation Notes to provide interim financing for certain expenditures prior to the receipt of certain anticipated revenues. These notes matured on various dates from May 1, 1985 through January 2, 1987, bearing interest at rates ranging from 7.00% to 8.15%. The outstanding balance of the notes at June 30, 1986 was \$855,000.

In November 1985, the District sold an additional \$45,025,000 in Grant Anticipation Notes. These notes mature on January 31, 1988, March 1, 1988, and May 1, 1988, and bear an interest rate of 6.50%.

11. U.S. Government Grants (in Thousands)

The U.S. Government, under grant contracts with the District, provides financial assistance for capital projects. A summary of Urban Mass Transportation Administration Grants in force at June 30, 1987 is as follows:

Type of Grant	Maximum Grant	Funds Received
Beautification	\$ 1,961	1,961
Demonstration	13,355	13,355
Capital	618,344	471,205
	<u>\$633,660</u>	<u>486,521</u>

12. Litigation and Disputes with Contractors and Others

The District is involved in various lawsuits, claims and disputes, which for the most part, are normal to the District's operations. In the opinion of management, the costs that might be incurred, if any, would not materially affect the District's financial position or operations.

13. Public Employees' Retirement System

The District contributes to the Public Employees' Retirement System. The System is a contributory pension plan providing retirement, disability, and death benefits to employees of certain state and local governmental units. Substantially all full-time employees of the District are covered by the System. Pension costs of the system are determined actuarially and required contributions are expensed currently. Pension expense was \$6,716,000 and \$8,513,000 in 1987 and 1986, respectively.

14. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all officers and employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant.

Under the terms of the plan, participants have the right to direct that their plan accounts be invested in one or more available investment funds selected by the investment committee under the Plan. The value of such accounts will fluctuate depending on the investment performance of the investment funds selected by the participant. It is the opinion of management that the District has no liability under the terms of the plan for any amounts other than the participants' account balances.

The District has deposited funds with a custodian pursuant to the District's deferred compensation plan. These deposits together with earnings had a market value of \$31,527,000 and \$24,098,000 as of June 30, 1987 and 1986, respectively. This amount is reflected on the balance sheet in deposits, notes and other receivables and in payroll and other liabilities.

SUPPLEMENTARY INFORMATION

San Francisco Bay Area Rapid Transit District Reconciliation of Funded Operating Expenses in Excess of Revenues Years ended June 30, 1987 and 1986 (in thousands)

The following is a reconciliation of funded operating expenses in excess of revenues after capital designations and before depreciation and cost of bond defeasance related to depreciation of assets acquired with own funds:

	1987	1986
Amounts transferred to accumulated net revenues from the operating fund	\$ (12,660)	(16,699)
Capital designations	(4,505)	(3,000)
Depreciation of assets acquired with the District's own funds	17,138	17,940
Cost of 1982 Sales Tax Revenue Bonds defeasance related to depreciation of assets acquired with own funds	—	1,748
Funded operating expenses in excess of revenues after capital designations and before depreciation	<u>\$ (27)</u>	<u>(111)</u>

Operating Funds 1986/87

\$174,042,000

Where Funds Came From (In Thousands)

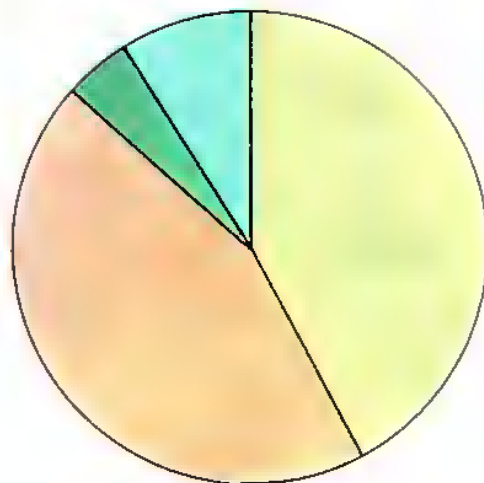
Transaction & Use Sales Tax	\$73,617	42.30%
Fares	\$77,654	44.62%
Property Tax	\$7,412	4.26%
Other	\$15,359	8.82%
• Investment Income and Other Operating Revenues	\$6,970	4.00%
• State Financial Assistance	\$479	0.28%
• Construction Funds	\$7,335	4.21%
• Regional Financial Assistance	\$548	0.31%
• Decrease in Working Capital*	\$27	0.02%

*Funded excess of expenses over revenues

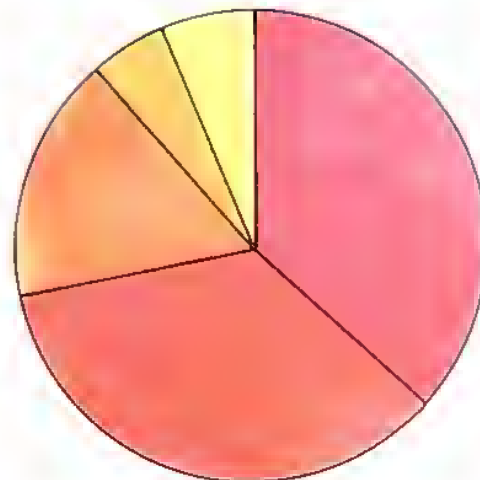
How Funds Were Applied (In Thousands)

Maintenance	\$63,977	36.76%
Transportation	\$61,912	35.57%
General Administration	\$28,746	16.52%
Police Services	\$8,905	5.12%
Other	\$10,502	6.03%
• Capital Designations	\$4,505	2.59%
• Construction & Engineering	\$5,997	3.44%

TOTAL
\$174,042 100.00%



TOTAL
\$174,042 100.00%



Capital Funds 1986/87

\$112,154,000

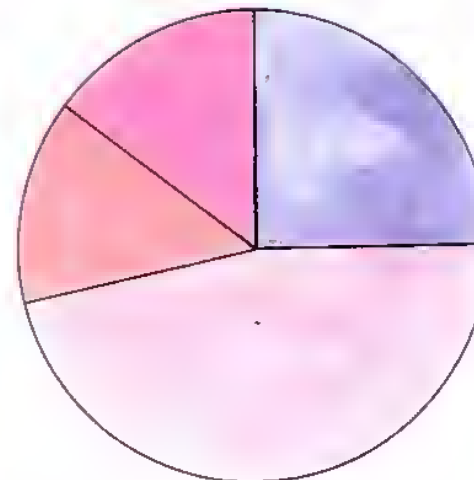
Source of Funds (In Thousands)

District	\$27,832	24.82%
Federal	\$51,901	46.28%
State	\$15,490	13.81%
Local (including capital designations)	\$16,931	15.09%

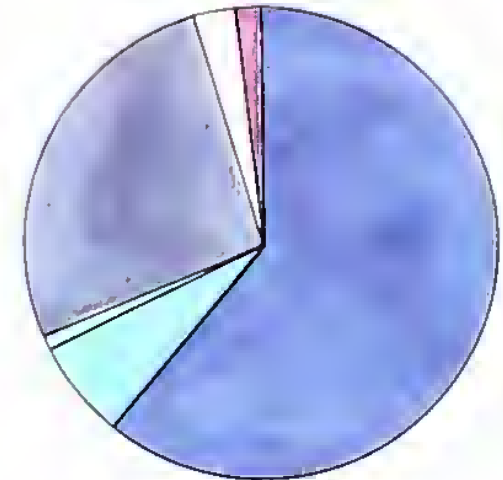
Expenditures (In Thousands)

Construction	\$68,636	61.19%
• Line	\$63,024	56.19%
• Systemwide	\$5,247	4.68%
• Support Facilities	\$365	0.32%
Train Control	\$7,733	6.89%
Communications	\$1,087	0.97%
Transit Vehicles	\$29,608	26.40%
Miscellaneous Equipment	\$3,196	2.86%
• Automatic Fare Collection	\$1,208	1.08%
• Management Information Systems	\$568	0.51%
• Support Vehicles	\$560	0.50%
• Other Equipment	\$860	0.77%
Studies and Other	\$1,894	1.69%

TOTAL
\$112,154 100.00%



TOTAL
\$112,154 100.00%





Keith Bernard
General Manager, BART

Message from the General Manager

Service improvement was a major objective during this fiscal year. A look at the record of on-time performance during this period shows that BART has made significant gains, compared to the previous period. Beginning in the summer of 1986 we were able to return more cars to full service with the completion of the five hardening project. This allowed the scheduling of two additional trains to peak hour service. Parking was also expanded at several stations as part of the ongoing program to improve access to the system. I would like to commend all BART employees for their part in these achievements.

BART's improved service coincides with growing support for extension of the system. This year voters in Alameda County approved a sales tax measure for a number of transportation projects, including \$170 million for a rail line from Bay Fair Station to Dublin. The cost for this extension, based on 1987 planning studies, is estimated at \$232 million. The proposed link to Dublin and Pleasanton from the Bay Fair Station represents an important step in the realization of BART's objective to extend the system within the three BART counties.

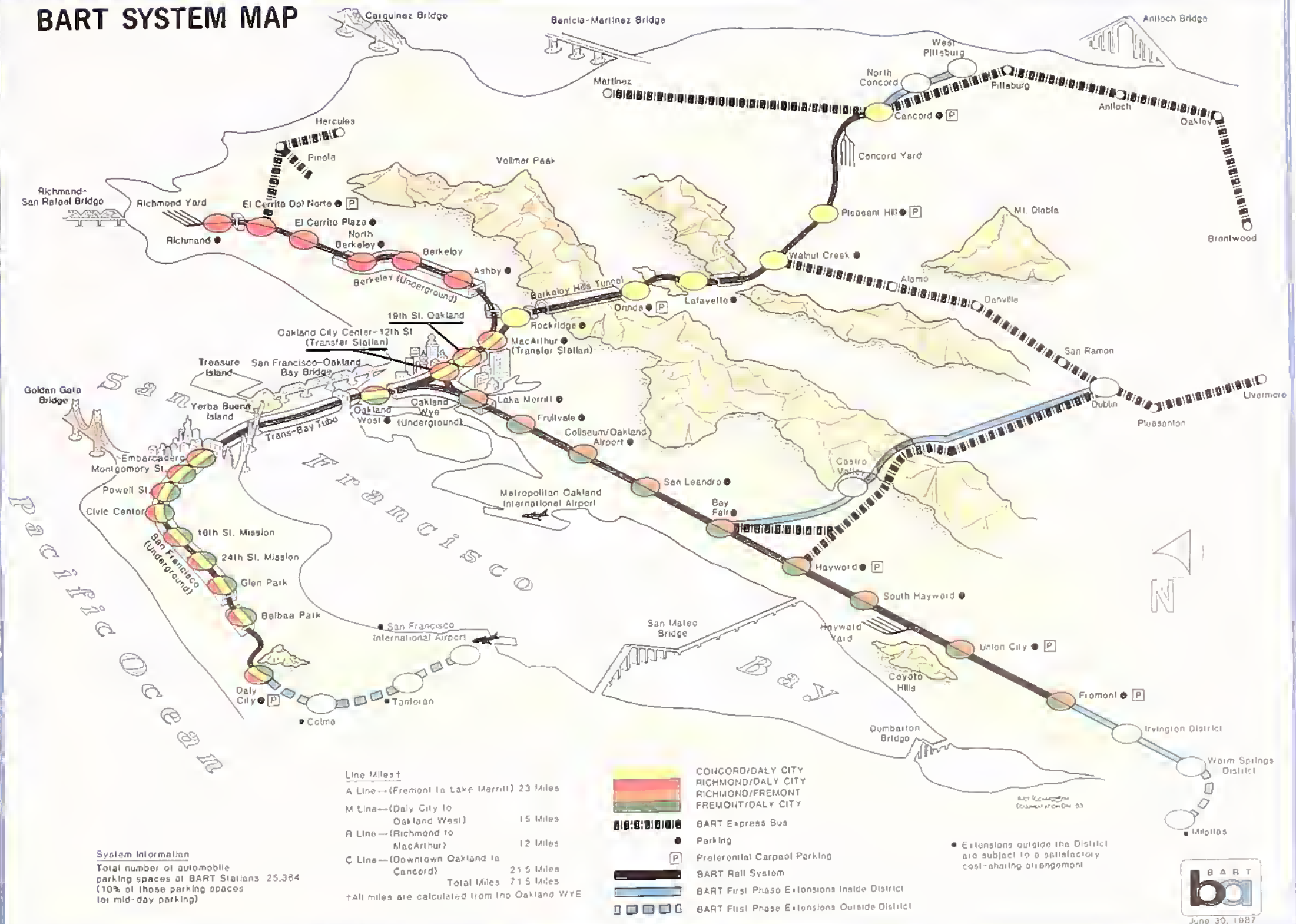
The process of realizing extensions such as Bay Fair to Dublin involved many steps. In the past year BART has continued the acquisition of additional sites for possible extension stations and commenced the formal alternatives analysis studies required by the federal government in order to apply for federal funding. Of equal importance has been the designation of \$70 million in BART reserves to add to the sources of local matching funds for extensions.

Citizens from outside the BART counties have also expressed interest, through the ballot box, in benefitting from BART extensions. As freeways throughout the Bay Area become more and more congested, the challenge to fund and build extensions becomes more compelling. It is a challenge of building regional political consensus as well as securing federal and state funding to match BART's efforts to develop a pool of local funding.

Looking ahead, we must be more aware than ever that BART has to compete for its patronage. Reliability and availability are the cornerstones of BART's competitive position. The importance of completing the capacity expansion program for the existing system cannot be over-emphasized in this regard. Capacity will be increased in small increments over the next three years as the new C-cars are introduced, the Daly City Turnback and Yard is commissioned, and the Willside Train Control modifications are completed.

With additional capacity in place we will be able to better serve existing riders and attract new riders. However, aggressive marketing of BART's service will be paramount in the coming year. This means that everyone at BART has to continually think in terms of what customers want. Providing safe on-time service, reliable equipment, a clean system and friendly, helpful employees will continue to be among the most important objectives at BART.

BART SYSTEM MAP





San Francisco Bay Area Rapid Transit District (BART)

Headquarters in downtown Oakland, California
800 Madison Street, P.O. Box 12688
Oakland, CA 94601-2688 (415) 461-6000

Established in 1957 by the California State Legislature.
Authorized to plan, finance, construct, and operate a rapid
transit system.

Governed by a Board of Directors elected for four-year terms
by voters in nine election districts within the counties of
Alameda, Contra Costa and San Francisco.

Board of Directors — Fiscal Year 1987

President

Margaret K. Pryor, Oakland

Vice President

Barclay Simpson, Orinda

Members of the Board

- District #1 — Barclay Simpson, Orinda
- District #2 — Nello Bianco, El Sobrante
- District #3 — Arthur J. Shartsis, Oakland
- District #4 — Margaret K. Pryor, Oakland
- District #5 — Robert S. Allen, Livermore
- District #6 — John Glenn, Fremont
- District #7 — Wilfred T. Ussery, San Francisco
- District #8 — Arlo Hale Smith, San Francisco
- District #9 — John H. Kirkwood, San Francisco

Board-Appointed Officers

- G.K. Bernard, General Manager
- Malcolm M. Barrett, General Counsel (retired)
- Sherwood Wakeman, General Counsel
- William F. Goetz, Controller/Treasurer
- Phillip O. Ormsbee, District Secretary

Department Managers Reporting to the General Manager

- Richard P. Deinko, Executive Manager, Maintenance &
Engineering
- William B. Fleisher, Chief Transportation Officer
- Howard L. Goode, Planning, Budget & Analysis
- Michael C. Healy, Public Affairs
- Ernest G. Howard, Administrative Services
- John Mack, Affirmance Action
- Thomas R. Sheehan, Information Systems
- William Thomas, Material Management & Procurement
- Ralph S. Weule, Safety
- Larry A. Williams, Employee Relations

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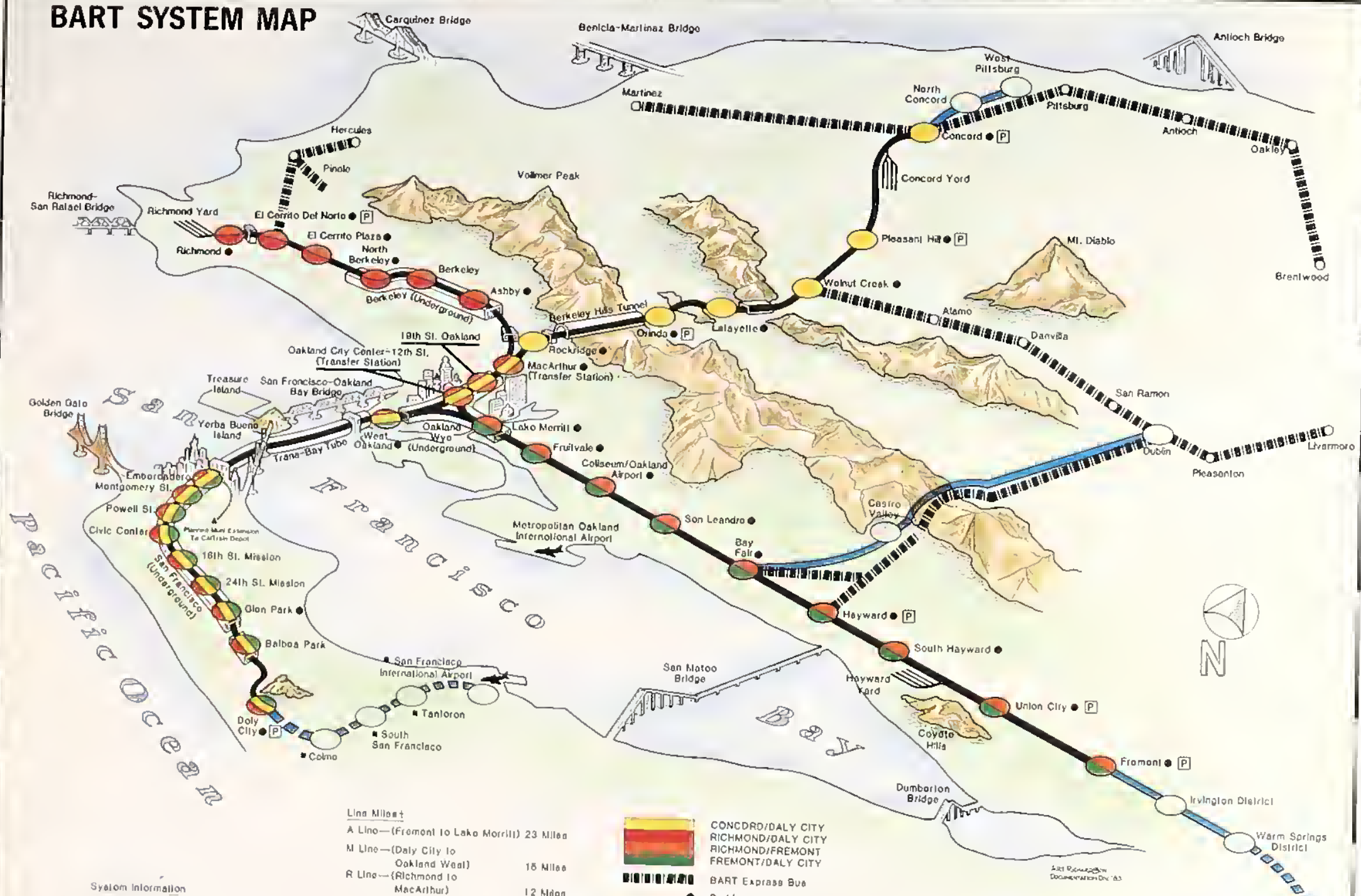
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BART SYSTEM MAP



System Information

Total number of automobile parking spaces at BART Stations: 28,280 (10% of those parking spaces for mid-day parking)

Line Miles†

A Line—(Fremont to Lake Merritt)	23 Miles
M Line—(Daly City to Oakland West)	15 Miles
R Line—(Richmond to MacArthur)	12 Miles
C Line—(Downtown Oakland to Concord)	21.5 Miles
Total Miles	71.5 Miles

†All miles are calculated from the Oakland WYE



CONCORD/DALY CITY
RICHMOND/DALY CITY
RICHMOND/FREMONT
FREMONT/DALY CITY

BART Express Bus

Parking

Preferential Carpool Parking

BART Rail System

BART First Phase Extensions Inside District

BART First Phase Extensions Outside District

Extensions outside the District are subject to a satisfactory cost-sharing arrangement.
▲ Planned Muni Metro Turnaround and Extension.



July 1, 1988

A Year of Significant Milestones

The fiscal year 1987/88 can truly be considered a year of significant turning points for BART in its role to provide better and expanded service to Bay Area residents and visitors.

One of the most significant milestones was the consensus reached on a regional basis regarding BART's planned extensions and how those extensions are to be funded.

Another important step was an agreement between BART and San Mateo County officials that resolved long-standing and thorny problems involving priorities of construction and financing.

Regional Agreement

In March, the Metropolitan Transportation Commission (MTC), which coordinates the setting of priorities and oversees the distribution of federal and state funding grants for Bay Area public transportation projects, adopted a long-range program of transit improvements that includes BART extensions in Alameda, Contra Costa and San Mateo counties.

The emphasis of the MTC program is on rail transit, instead of on highways. Roughly three-fourths of the dollars needed to complete the long-range program is earmarked for BART projects. The importance of the program is compared by transit officials to the decisions of the early 1930's to fund and build the Golden Gate and Oakland-San Francisco Bay bridges.

BART and SamTrans

Early in June, BART's Board of Directors approved an agreement in principle with the San Mateo County Transit District (SamTrans) that will result, not only in an 8.7-mile extension into San Mateo County from the Daly City Station, but will provide funds for BART extensions to West Pittsburg in Contra Costa County and to Dublin and the Warm Springs area in Alameda County.

The San Mateo County extension will cost an estimated \$590 million, with stations in Colma, South San Francisco, Tanforan and at a site near the San Francisco International Airport.

A key provision of the BART/SamTrans agreement calls for SamTrans to make a capital contribution to BART of \$200 million. An affirmative vote in San Mateo County early in June assured the



To and From The Stations

BART added 1,446 new parking spaces in FY 1987/88, bringing the total of parking spaces available at 24 stations to 26,289.

The District also encouraged patrons to leave their cars at home and take public transportation to and from BART stations, through a trial program with the Central Contra Costa Transit Authority of free 72-hour transfers in Pleasant Hill and Concord, a doubled-frequency of bus service during peak hours at Concord, Hayward, Pleasanton and Walnut Creek and increased BART express bus service.

On The Mainline

New replacement rail was laid at several points on BART's mainline. The District took delivery of a new rail-laying crane and purchased a computer-controlled ballast tamper, which is designed to keep all mainline track at its proper level and alignment. The District also put into use a self-propelled track mapper that checks the frequencies emitted by the Wayside Control system and expedites the pinpointing of any train control problems.

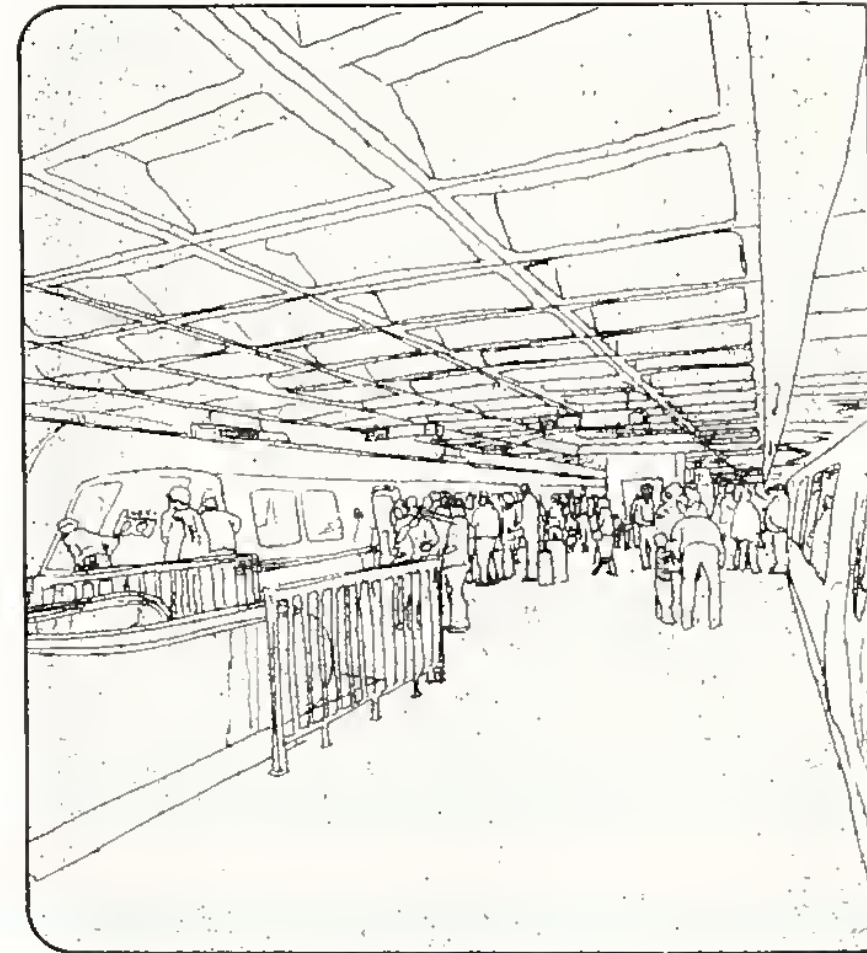
Passenger Protection and Safety

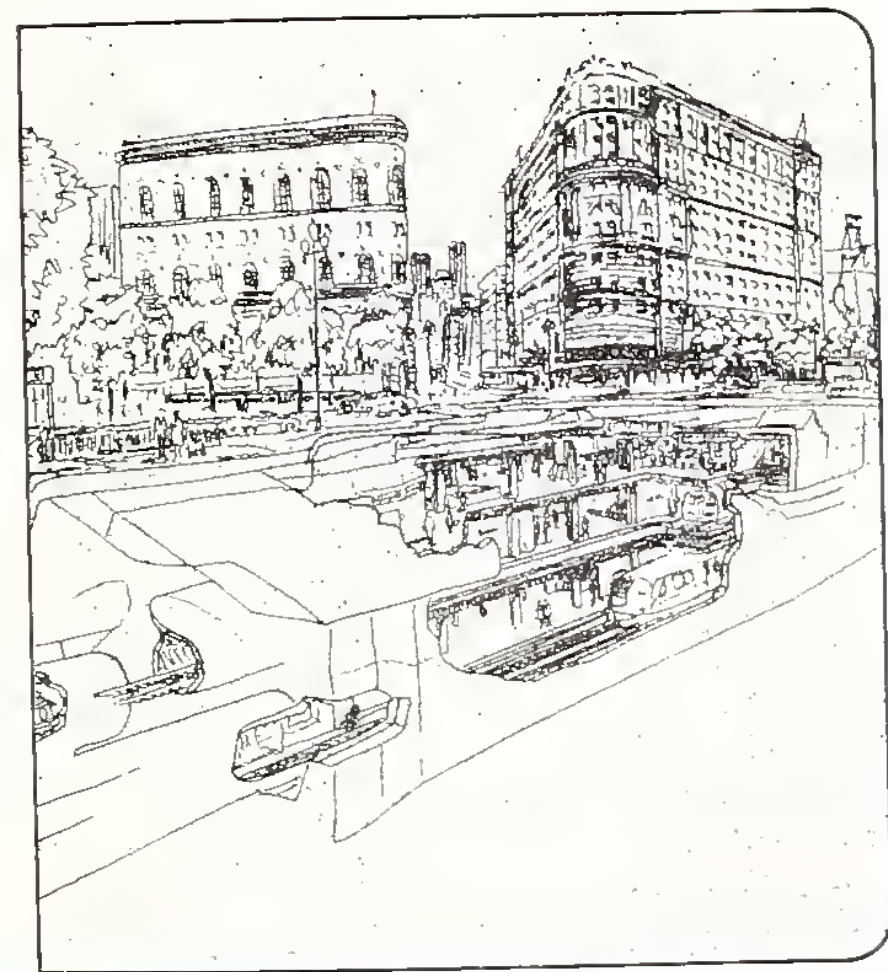
A change in BART Police procedures resulted in faster response time to calls for service from station agents. Many BART Police Officers now report for duty directly to a BART station at the beginning of their shifts, rather than report first to BART Police Headquarters at the Lake Merritt Station.

BART Police also instituted solo beats on trains and at stations to increase the visibility of uniformed officers. The department also intensified its surveillance of BART parking lots. Crimes involving BART patrons and their property take place primarily in parking lots.

Special Services

BART continued to operate additional trains for special occasions. Bay Area residents and visitors utilized this service for Christmas shopping in downtown Oakland and San Francisco, to attend





events at the Oakland Coliseum or to take part in the Bay-to-Breakers race. On November 14, with major events taking place in both San Francisco and Oakland, BART patrons generated a record high for a Saturday of 121,669 trips.

Related Capacity Expansion Projects

Daly City Turnback, Yard and Maintenance Facility

A major component of BART's program to increase passenger capacity, particularly during commute hours, is the construction of a turnback in Daly City, with a storage yard and maintenance facility.

Track for the turnback was completed during the fiscal year, as well as the third rail for traction power. Installation of the train control equipment for the turnback was under way by June 30.

Also completed was the transportation building for the yard, which will include the tower and the train control facilities. Foundations and pits for the shop were finished and work was started on the shop building.

The turnback, yard and shop in Daly City, when fully operational in 1989, will provide BART with turnaround, storage, repair and maintenance facilities on each leg of the system. Comparable facilities already exist at Concord, Hayward and Richmond. The Daly City facilities will enable BART to realize savings in time, electrical use and car wear and tear. Most important, it will provide greater flexibility and efficiency in providing appropriately sized trains in response to fluctuating passenger demand throughout the day. During the morning commute, roughly 80 percent of BART's train traffic is routed to downtown San Francisco and on to the end of the line at Daly City. Until the Daly City project is completed, trains reaching the end of the line must be returned to the East Bay for storage and maintenance.

The Daly City project was originally planned at an estimated cost of \$150 million for the turnback.

and yard. Cost savings during construction reduced that figure to \$141.3 million and enabled the shop to be included in the project at a cost of \$8.5 million.

Electrical Capacity

Another project aimed at the operation of more trains on BART's mainline tracks and in its yards is the increase in the system's electrical capacity on certain key segments.

New substation equipment, scheduled for installation by the summer of 1990, will provide additional electrical capacity to run more trains on the Concord line. Work was completed during the year to increase the feeder electrical capacity at the Concord, Hayward and Richmond yards. The capacity of the electrified third rail was increased between Orinda and Lafayette.

Wayside Control Modifications

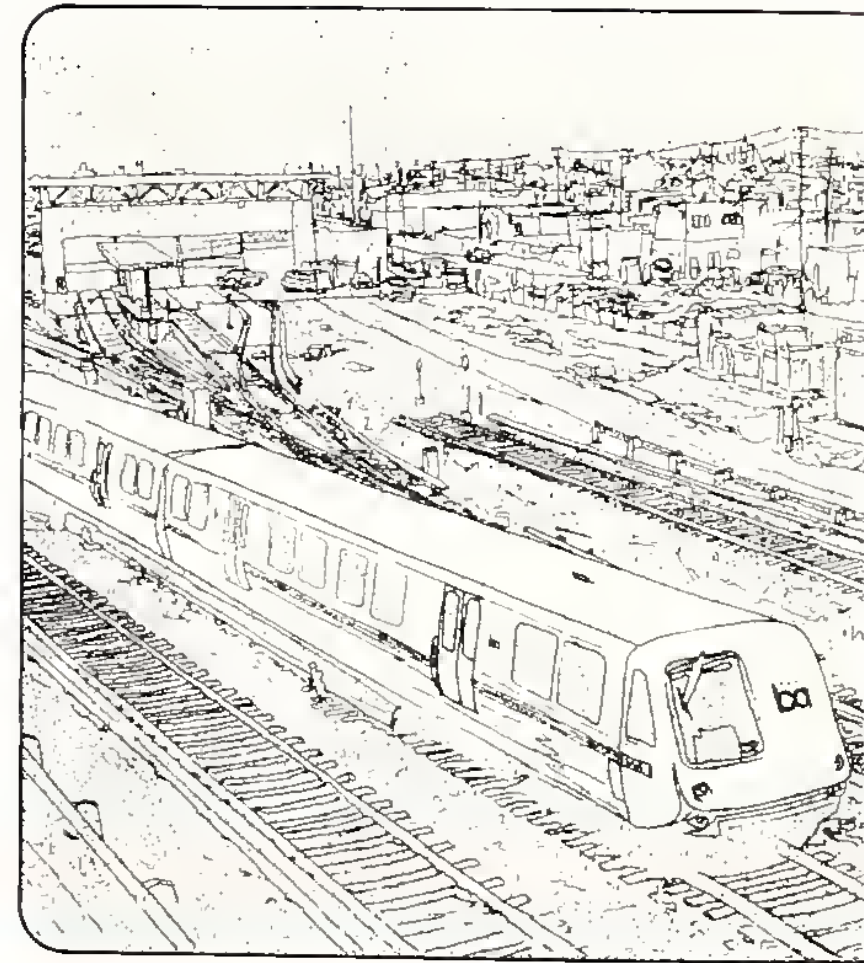
Portions of BART's Wayside Control System are being modified to allow trains to run at more frequent intervals to and from San Francisco.

BART's track is segmented into train protection zones or "blocks" and only one train can occupy a block at any one time. BART's original block size limits the "headway," the time between trains, to an interval of 3.75 minutes. Part of the Wayside program is to shorten the blocks to lengths of approximately 360 feet so that when the full benefits of the capacity expansion program are realized, trains can run at intervals of 2.25 minutes in San Francisco and Oakland during peak load times. These modifications, which involve special electronic engineering, are scheduled for completion by early 1990.

ICS

BART's Integrated Control System, the District's computerized train control supervision system, is scheduled for implementation by November, 1989. It is intended to replace obsolete computers and to allow more than the current maximum of 55 trains to run on the system at one time.

The computer system will eventually be linked to a display board at BART's operational control room at the Lake Merritt headquarters.



Performance Highlights

BART patronage increased by more than 1.35 million passenger trips during the 1987/88 fiscal year, with annual passenger trips reaching 57,595,481, compared with 56,240,997 for the prior year. The District's estimated share of peak period transbay traffic, including cars, buses and trains, was 38.8 percent, according to surveys taken during the year by the Metropolitan Transportation Commission.

Net passenger revenues reached \$78,475,000 for FY 87/88, an increase of \$821,000 over the FY 86/87 figure of \$77,654,000. Total operating revenues, including more than \$5.6 million in interest income, advertising in trains and stations and other income, was \$84,123,000, a decline of \$501,000 from the previous fiscal year.

BART funded 50.14 percent of its net operating expenses, which amounted to \$167,775,000 (excluding depreciation) for FY 87/88, from passenger fares and other operating revenues. This operating ratio was a decrease of 2.03 percentage points from the prior fiscal year. The District's objective is to fund no less than one-half of its net rail operating expenses from operating revenues.

BART's farebox ratio, which relates net passenger revenues to net operating expenses, was 46.77 percent for FY 87/88, a decrease of 1.1 percentage points from the figure for FY 86/87.

Net rail passenger revenue per passenger mile for FY 87/88 was 10.8 cents, a decrease from the previous year's 11.1 cents. Rail operating costs per passenger mile for FY 87/88 was 21.0 cents, slightly below the previous year's figure of 21.1 cents.

Weekday passenger trips averaged 198,259 for FY 87/88, compared with 194,226 for the previous year. During four months of the fiscal year, average weekday patronage exceeded 200,000, including a high of 200,985 passenger trips in June. Annual passenger miles reached 722,583,063 for FY 87/88, an increase of 26.6 million over the previous year, with an average of 12.5 miles for each trip during FY 87/88, compared with 12.4 miles the year before.

In addition to funds derived from passenger fares, interest income and advertising, BART received \$92.2 million in revenues from 75 percent of the one-half cent transit sales tax in the three BART counties, \$425,000 in state and local funds and \$8.2 million in property tax available for operations.

Of the \$92.2 million derived from the sales tax, \$12.6 million was allocated to debt service and \$79.6 million was made available for operations.

BART Directors again reduced the property tax rate on the levy for repayment of the principal and interest of \$792 million in general obligation bonds approved by voters in 1962 for construction of the system. Directors set a tax rate of 3.9 cents per \$100 assessed value down from 4.21 cents for the previous fiscal year. The property tax generated revenues of \$48.0 million from property owners in Alameda, Contra Costa and San Francisco counties, the three counties making up the District.

	FY 1987/88	FY 1986/87
Rail Ridership		
Annual passenger trips	57,595,481	56,240,997
Average weekday trips	198,259	194,226
Average trip length	12.5 miles	12.4 miles
Annual passenger miles	722,583,063	695,944,275
Patron trip on-time performance (%)	94.5%	94.4%
System utilization ratio (passenger miles to available seat miles)	32.0%	31.9%
End-of-period ratios		
Peak patronage	49.4%	49.1%
Offpeak patronage	50.6%	50.9%
BART's estimated share of peak period transbay trips - cars, trains & buses (a)	38.8%	37.0%
Operations		
Annual revenue car miles	31,393,094	30,266,578
Unscheduled train removals - average per revenue day	4.5	4.2
Transit car availability to revenue car fleet (b)	88.8%	91.1%
Passenger miles per equivalent gallon of gasoline	79.0	75.3
Passenger accidents reported per million passenger trips	13.94	16.09
Patron-related crimes reported per million passenger trips	34.17	33.20
Financial		
Net passenger revenues	\$ 78,475,000	\$ 77,654,000
Other operating revenues	5,648,000	6,970,000
Total operating revenues	84,123,000	84,624,000
Net operating expenses (excluding depreciation)	167,775,000	162,202,000
Farebox ratio (net passenger revenues to net operating expenses)	46.77%	47.87%
Operating ratio (total operating revenues to net operating expenses)	50.14%	52.17%
Net rail passenger revenue per passenger mile	10.8¢	11.1¢
Rail operating cost per passenger mile	21.0¢	21.1¢
Net average rail passenger fare (c)	\$ 1.35	\$ 1.37

Notes

General note: Data represent annual averages unless otherwise noted.

(a) Based on MTC Transbay survey data for October 1987 and April 1988 (7:9 a.m. - 4:6 p.m.)

(b) At 8 a.m. each day.

(c) Includes BART/MUNI Fast Pass.

Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors of San Francisco
Bay Area Rapid Transit District

We have audited the accompanying balance sheet of San Francisco Bay Area Rapid Transit District as of June 30, 1988 and the related statements of operations, capital and changes in financial position for the year then ended. These financial statements and the supplemental schedule discussed below are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The District's financial statements as of June 30, 1987 and for the year then ended (before the restatement and reclassifications discussed in Note 2) were audited by other auditors whose report, dated September 2, 1987, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such 1988 financial statements present fairly, in all material respects, the financial position of San Francisco Bay Area Rapid Transit District at June 30, 1988 and the results of its operations and the changes in its financial position for the year then ended in conformity with generally accepted accounting principles.

We also reviewed the capital subaccount reclassifications and adjustments and other balance sheet reclassifications described in Note 2 to the financial statements that were applied to restate and reclassify the 1987 financial statements. In our opinion, such reclassifications and adjustments are appropriate and have been properly applied to the 1987 financial statements.

Our audit was made for the purpose of forming an opinion on the basic 1988 financial statements taken as a whole. The supplemental schedule, reconciliation of funded operating expenses in excess of revenues, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplemental schedule for 1988 has been subjected to the auditing procedures applied in our audit of the basic 1988 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 1988 financial statements taken as a whole. The 1987 supplemental schedule was examined by other auditors whose report, dated September 2, 1987, expressed an unqualified opinion on such 1987 supplemental schedule when considered in relation to the 1987 financial statements taken as a whole.

Deloitte Haskins + Sells *Adams, Grant, Werner & Co.*
Deloitte Haskins + Sells Adams, Grant, Werner & Co.
Oakland, California
September 9, 1988

BALANCE SHEETS

June 30, 1988 and 1987 (In thousands)

ASSETS	1988	1987	LIABILITIES AND CAPITAL	1988	1987
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and investments (Note 3)	\$ 220,717	\$ 149,504	Notes payable (Note 6)		\$ 63,975
Deposits (Note 3)	23,795	60,584	Current portion of long-term debt (Note 5)	\$ 38,880	36,710
Notes and other receivables	9,139	10,297	Payroll and other liabilities	54,601	44,238
Materials and supplies - at average cost	15,076	14,680	Self-insurance liabilities	6,313	5,150
Total current assets	268,727	235,065	Unearned passenger revenue	1,620	1,584
INVESTMENTS (Note 3)	78,721	176,523	Total current liabilities	101,414	151,657
DEFERRED COMPENSATION PLAN INVESTMENTS (Notes 3 and 10)	37,494	31,527	DEFERRED COMPENSATION (Note 10)	37,494	31,527
INVESTMENTS RESTRICTED FOR BOARD DESIGNATED PURPOSES (Note 3)	25,771	27,580	LONG-TERM DEBT (Note 5)	539,650	578,530
FACILITIES, PROPERTY AND EQUIPMENT - At cost, less accumulated depreciation (Note 4)	1,580,433	1,494,512	CAPITAL		
TOTAL ASSETS	\$1,991,146	\$1,965,207	Grants and contributions, net	680,072	611,127
			Accumulated net revenues	632,516	592,366
			Total capital	1,312,588	1,203,493
			TOTAL LIABILITIES AND CAPITAL	\$1,991,146	\$1,965,207

See notes to financial statements

STATEMENTS OF OPERATIONS

For the Years Ended June 30, 1988 and 1987 (In thousands)

	1988				1987			
	OPERATIONS	CONSTRUCTION	DEBT SERVICE	COMBINED TOTAL	OPERATIONS	CONSTRUCTION	DEBT SERVICE	COMBINED TOTAL
		(Note 2)				(Note 2)		
OPERATING REVENUES								
Fares	\$ 78,475			\$ 78,475	\$ 77,654			\$ 77,654
Other (including investment income)	5,648			5,648	6,970			6,970
Total operating revenues	84,123			84,123	84,624			84,624
OPERATING EXPENSES								
Transportation	61,462			61,462	61,912			61,912
Maintenance	68,107			68,107	63,977			63,977
Police services	9,540			9,540	8,905			8,905
Construction and engineering	6,268			6,268	5,997			5,997
General and administrative	31,270			31,270	28,746			28,746
Depreciation	35,202			35,202	31,800			31,800
Total operating expenses	211,849			211,849	201,337			201,337
Less capitalized costs	(8,872)			(8,872)	(7,335)			(7,335)
Net operating expenses	202,977			202,977	194,002			194,002
OPERATING LOSS	(118,854)			(118,854)	(109,378)			(109,378)
OTHER REVENUES (EXPENSES)								
Transactions and use tax	79,649		\$ 12,594	92,243	73,617		\$ 13,474	87,091
Property tax	8,226		50,867	59,093	7,412		51,102	58,514
State financial assistance	77			77	479			479
Local financial assistance	348			348	548			548
Other investment income		\$ 21,317	4,984	26,301		\$ 24,462	5,254	29,716
Interest expense			(35,146)	(35,146)			(39,127)	(39,127)
Other - net			(26)	(26)			(18)	(18)
Total other revenues	88,300	21,317	33,273	142,890	82,056	24,462	30,685	137,203
EXCESS OF REVENUES OVER (UNDER) EXPENSES	\$ (30,554)	\$ 21,317	\$ 33,273	\$ 24,036	\$ (27,322)	\$ 24,462	\$ 30,685	\$ 27,825

See notes to financial statements

STATEMENTS OF CAPITAL

For the Years Ended June 30, 1988 and 1987 (In thousands)

	GRANTS AND CONTRIBUTIONS	ACCUMULATED NET REVENUES	TOTAL
BALANCES, JUNE 30, 1986 (As restated, Note 2)	\$ 553,618	\$ 549,879	\$ 1,103,497
EXCESS OF REVENUES OVER EXPENSES		27,825	27,825
OTHER ADDITIONS (DEDUCTIONS):			
Grants and contributions	72,171		72,171
Depreciation and retirements of assets acquired with grants and contributions	(14,662)	14,662	
BALANCES, JUNE 30, 1987	611,127	592,366	1,203,493
EXCESS OF REVENUES OVER EXPENSES		24,036	24,036
OTHER ADDITIONS (DEDUCTIONS):			
Grants and contributions	85,059		85,059
Depreciation and retirements of assets acquired with grants and contributions	(16,114)	16,114	
BALANCES, JUNE 30, 1988	<u>\$680,072</u>	<u>\$632,516</u>	<u>\$1,312,588</u>

STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the Years Ended June 30, 1988 and 1987 (In thousands)

	1988	1987
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 24,036	\$ 27,825
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation	35,202	31,800
Net effect of changes in:		
Deferred compensation plan liabilities	5,967	8,273
Notes and other receivables	1,158	647
Materials and supplies	(396)	(401)
Payroll and other liabilities	4,759	2,705
Self-insurance liabilities	1,163	618
Unearned passenger revenue	36	7
Net cash provided by operating activities	<u>71,925</u>	<u>71,474</u>
INVESTMENT ACTIVITIES:		
Expenditures for facilities, property and equipment	(117,183)	(106,185)
Proceeds from sale of investments	186,326	245,367
Purchase of investments	(186,326)	(245,367)
Total cash used by investment activities	<u>(117,183)</u>	<u>(106,185)</u>
FINANCING ACTIVITIES:		
Proceeds from issuance of notes payable	—	18,950
Repayments of notes payable	(63,975)	(22,630)
Repayments of long-term debt	(36,710)	(34,665)
Capital grant contributions received	85,059	72,171
Total cash provided (used) by financing activities	<u>(15,626)</u>	<u>33,826</u>
CASH AND INVESTMENTS (Note 3):		
Net decrease for year	(60,884)	(885)
Beginning of year	442,676	443,561
End of year	<u>\$ 381,792</u>	<u>\$ 442,676</u>

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

Description of Reporting Entity - San Francisco Bay Area Rapid Transit District (District) is a public agency created by the legislature of the State of California (State) in 1957 and regulated by the San Francisco Bay Area Rapid Transit District Act, as amended, and subject to transit district law as codified in the California Public Utilities Code. The disbursement of all funds received by the District is controlled by statutes and by provisions of various grant contracts entered into with federal, state and local agencies.

For financial reporting purposes, the District's financial statements include all financial activities that are controlled by or dependent upon actions taken by the District's Board of Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments are stated at cost or amortized cost, except for investments of the deferred compensation plan which are stated at current (market) value. As a matter of policy, the District holds investments until their maturity.

Deposits, consisting of cash and investments, are held by trustee banks in accordance with the District's various bond indentures and for general debt service requirements. Deposits are stated at cost.

Facilities, Property and Equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation of assets acquired with District funds is distinguished from depreciation of assets acquired with grants and contributions by others.

The District capitalizes certain interest revenue and expenditures related to tax-free borrowings. The net effect of such interest capitalization was to decrease expenditures for facilities, property and equipment by \$913,000 and \$1,136,000 during the years ended June 30, 1988 and 1987, respectively, for excess interest revenue from applicable borrowings over interest expenses.

Self-Insurance Liabilities - The District is largely self-insured for workers' compensation claims, general liability claims, and major property damage. The District accrues the estimated costs of the self-insured portion of claims.

Capital - During the year ended June 30, 1988, the District determined that certain capital subaccount balances as of June 30, 1986 should be reclassified and adjusted. As a result, 1986 capital subaccounts have been reclassified and adjusted from those previously reported, as follows (in thousands):

	Reserves	Grants and Contributions	Accumulated Net Revenues	Total
Balances, June 30, 1986 (as previously reported)	\$ 32,223	\$ 610,402	\$ 465,704	\$ 1,108,329
Reclassify prior capital designations recorded as grants and contributions (net of related accumulated depreciation) to accumulated net revenues		(56,784)	56,784	
Adjust for capitalized insurance			(4,832)	(4,832)
Reclassify reserves	(32,223)		32,223	-
Balances, June 30, 1986 (as restated)	-	\$ 553,618	\$ 549,676	\$ 1,103,497

Contributed Capital - The District periodically receives grants from the Urban Mass Transportation Administration (UMTA) and other agencies of the U.S. Department of Transportation, state, and local transportation funds for the acquisition of transit related equipment and improvements. Capital grant funds earned, less amortization equal to annual and accumulated depreciation of the related assets, are included in contributed capital.

Statements of Operations have been expanded to present the financial activities of the general operations of the transit system, revenues restricted by the Board of Directors for construction activity, and revenues restricted by the District's various bond indentures for debt service (including interest expense) on outstanding long-term debt.

Unearned Passenger Revenue/Fares is an estimate of passenger tickets purchased which have not yet been completely used.

Transactions and Use Tax (Sales Tax) Revenue - A one-half percent transactions and use tax is collected within District boundaries and administered by the State Board of Equalization. Of amounts available for distribution, 75% is paid directly by the State Board of Equalization to the District's trustee for the

purpose of paying bond interest, principal and expenses. Monies not required for these purposes are transmitted to the District. The remaining 25% is allocated by the Metropolitan Transportation Commission to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services. The District records the total transactions and use taxes earned (including amounts paid to the trustee) as revenue.

Property Taxes, Collection and Maximum Rates - The State of California (State) Constitution article XIII A provides that the general purpose maximum property tax rate on any given property may not exceed one percent of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100 percent of market value as defined by article XIII A and may be adjusted by no more than two percent per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a one percent tax levy among the counties, cities, school districts and other districts, such as the District.

The District receives property tax revenues to meet the debt service requirements of its General Obligation Bonds. The District also receives an allocation of property tax revenues for transit operations.

San Francisco, Alameda and Contra Costa Counties assess properties, bill for, collect, and distribute property taxes. Property taxes are recorded as revenue and receivables, net of estimated uncollectibles, in the fiscal year of levy.

Financial assistance grants are accrued as revenue in the period to which the grant applies.

Pension costs are expensed as incurred. Such costs equal the actuarially determined annual contribution amount. See Note 9.

Statements of Changes in Financial Position - The basis of presentation has been changed in 1988 to highlight the District's cash flows and the 1987 amounts have been reclassified to conform to the 1988 presentation.

Reclassifications - Certain reclassifications have been made to the District's 1987 financial statements to conform with the 1988 presentation, including presentation of the balance sheet on a classified basis.

3. CASH AND INVESTMENTS

The District maintains a cash and investment pool that includes cash and investments available for general use and restricted for Board designated purposes. Cash and investments of the District's deferred compensation plan (see Note 10) are held separately by the plan's administrator.

Deposits - At June 30, 1988 (and 1987), the District's cash on hand was \$899,000 (1987, \$1,019,000), and the carrying amount of the District's time and demand deposits was \$6,405,000 (1987, \$19,056,000) with the corresponding bank balance of \$12,120,000 (1987, \$22,036,000). Of the bank balance \$375,000 (1987, \$975,000) was insured by federal depository insurance or collateralized by securities held by the District's agent in the District's name, and \$11,745,000 (1987, \$21,061,000) was collateralized 110% as required by Section 53652 of the California Government Code by the pledging financial institutions. However, such collateral is not in the District's name.

Investments - State of California statutes and District policy authorize the District to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, bankers' acceptances, repurchase and reverse repurchase agreements, and the State Treasurer's investment pool. The District did not enter into any reverse repurchase agreements during 1988 or 1987.

The District's investments are categorized below to give an indication of the risk assumed by the District at June 30, 1988. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the District's name.

	(In Thousands)						
	1988				1987		
	1	Category 2	3	Carrying Amount	Market Value	Carrying Amount	Market Value
U.S. Treasury notes	\$ 37,673	\$ 8,058	\$	\$ 45,731	\$ 45,566	\$ 43,946	\$ 44,491
Federal agency obligations	223,668	34,639		258,307	258,514	322,510	323,340
Repurchase agreements	26,000	6,375		32,375	32,375	18,055	18,055
Commercial paper						6,563	6,563
Total	<u>\$287,341</u>	<u>\$49,072</u>	<u>—</u>	336,413	336,455	391,074	392,449
Cash on hand				899	899	1,019	1,019
Time and demand deposits				6,405	6,405	19,056	19,056
Mutual funds:							
Fidelity money market				581	581		
Deferred compensation plan investments				<u>37,494</u>	<u>37,494</u>	<u>31,527</u>	<u>31,527</u>
Total				<u>\$381,792</u>	<u>\$381,834</u>	<u>\$442,676</u>	<u>\$444,051</u>
Reported as:							
Cash and investments				\$220,717		\$149,504	
Payroll and other liabilities (repre- sented cash overdraft)				(4,706)		(3,042)	
Deposits				23,795		60,584	
Investments				78,721		176,523	
Deferred compensation plan investments				37,494		31,527	
Investments restricted for Board designated purposes				<u>25,771</u>		<u>27,580</u>	
Total				<u>\$381,792</u>		<u>\$442,676</u>	

Cash and investments restricted for Board of Directors' designated purposes are summarized as follows (in thousands):

	1988	1987
Basic system completion	\$ 10,413	\$ 10,467
System improvement	2,858	2,735
Construction		1,878
Self-insurance	9,000	9,000
Operating	3,500	3,500
Total	\$ 25,771	\$ 27,580

4. FACILITIES, PROPERTY AND EQUIPMENT

Facilities, property and equipment, assets lives, and accumulated depreciation and amortization at June 30, 1988 and 1987 are summarized as follows (in thousands).

	Lives (Years)	1988		1987	
		Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Land		\$ 179,244		\$ 161,865	
Improvements	80	1,118,988	\$194,336	1,101,692	\$179,607
System-wide operation and control	20	142,686	75,448	131,472	68,264
Revenue transit vehicles	30	211,048	77,371	165,327	70,730
Service and miscellaneous equipment	3-20	21,362	11,978	25,414	15,656
Capitalized construction and start-up costs	30	100,331	47,452	100,235	43,965
Repairable property items	30	8,544	3,104	7,578	2,884
Construction-in-progress		207,919		182,035	
Total		<u>\$1,990,122</u>	<u>\$409,689</u>	<u>\$1,875,618</u>	<u>\$381,106</u>

The District has entered into contracts for the construction of various facilities and equipment totaling approximately \$325 million at June 30, 1988.

In June 1988, the district entered into Principles of Agreement (Agreement) with the San Mateo County Transit District (SamTrans) pertaining to extending the transit system to the vicinity of San Francisco International Airport (Airport). Under the terms of the Agreement, SamTrans will pay the district a \$200 million capital contribution, to be used for East Bay expansion and to be paid in installments (adjusted for inflation) upon reaching certain Airport extension milestones and SamTrans will be responsible for funding 25 percent of the cost of extending the transit system to the Airport. District management has estimated the cost of such Airport extension to be approximately \$600 million. This project is contingent upon the District receiving adequate commitments for federal and other funding, and also upon expansion of the transit system in the East Bay.

5. LONG-TERM DEBT

Long-term debt at June 30, 1988 and 1987 is summarized as follows (in thousands).

	1988	1987
1962 General Obligation Bonds	\$ 427,700	\$ 463,950
1966 Special Service District Bonds	5,830	6,290
Total General Obligation Bonds	433,530	470,240
1985 Sales Tax Revenue Bonds	145,000	145,000
Total long-term debt	578,530	615,240
Current portion	(38,880)	(36,710)
Net long-term portion	<u>\$ 539,650</u>	<u>\$ 578,530</u>

1962 General Obligation Bonds - In 1962, voters of the member counties of the District authorized a bonded indebtedness totaling \$792 million of General Obligation Bonds. Payment of both principal and interest is provided by the levy of District-wide property taxes. Bond interest rates range from 1.5% to 6.0%.

1966 Special Service District Bonds - In 1966, City of Berkeley voters formed Special Service District No. 1 and authorized the issuance of \$20.5 million of General Obligation Bonds, of which \$12 million were issued, for construction of subway extensions within that city. Payment of both principal and interest is provided by taxes levied upon property within Special Service District No. 1. Bond interest rates range from 4.0% to 5.5%.

1985 Sales Tax Revenue Bonds - The 1969 Legislature of the State of California authorized the District to impose a one-half percent transactions and use tax within District boundaries and issue Sales Tax Revenue Bonds. On September 30, 1977, the Governor signed legislation which extended the transactions and use tax indefinitely. The tax is collected and administered by the State Board of Equalization. Of amounts available for distribution, 75% is paid to the District's trustee for the purpose of paying bond interest, principal and expenses. Monies not required for these purposes are transmitted to the District. The remaining 25% is allocated by the Metropolitan Transportation Commission (MTC) to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services on the basis of regional priorities established by MTC.

In November 1985, the District issued sales tax revenue bonds (1985 bonds), totaling \$145,000,000, to refund and defease \$63,965,000 outstanding principal amount of sales tax revenue bonds issued in 1982, and to finance certain system improvements.

The 1985 bonds are special obligations of the District secured by a pledge of the sales tax revenues and are payable from revenues, including all sales tax revenues, all passenger fares, certain property tax revenues, and certain interest, grants, and other income. Bond interest rates range from 6.40% to 9.00%. Bonds maturing on or after July 1, 1996 (\$127,250,000) are redeemable prior to maturity at the option of the District beginning July 1, 1995 on various dates at prices ranging from 103% to 100%, including bonds maturing July 1, 2004 (\$41,005,000) and July 1, 2011 (\$78,660,000) which are subject to redemption prior to maturity on or after July 1, 1998 and July 1, 2005, respectively, at 100%.

The following is a schedule of long-term debt principal repayments required as of June 30, 1988 (in thousands).

	1962 G.O. Bonds	1966 Special Service District Bonds	1985 Sales Tax Revenue Bonds	Total
Year ending June 30				
1989	\$ 38,400	\$ 480		\$ 38,880
1990	40,200	500	\$ 1,885	42,585
1991	33,700	520	2,070	36,290
1992	34,975	540	2,270	37,785
1993	36,275	570	2,495	39,340
Thereafter	244,150	1,220	130,280	383,650
Total	<u>\$427,700</u>	<u>\$5,830</u>	<u>\$145,000</u>	<u>\$578,530</u>

6. NOTES PAYABLE

In July 1986, the District issued \$18,950,000 in subordinated Sales Tax Anticipation Notes to provide interim financing to defray operating expenses of the District in anticipation of the receipt of taxes, income, revenue and other monies to be received during or allocable to the year ended June 30, 1987. The notes matured and were repaid in July 1987, including interest of \$888,000.

In November 1985, the District issued \$45,025,000 in Grant Anticipation Notes. These notes matured and were repaid during the year ended June 30, 1988.

7. FEDERAL CAPITAL GRANTS

The U.S. Department of Transportation provides financial assistance to the district for capital projects. Grants which were active during the year ended June 30, 1988 are summarized as follows (In thousands).

Total approved project costs	<u>\$496,157</u>
Total approved federal funds	<u>\$386,415</u>
Less amounts received	<u>(275,160)</u>
Remaining amount available under federal grants	<u>\$111,255</u>

8. STATE AND LOCAL FINANCIAL ASSISTANCE

The District receives local operating and capital assistance from Transportation Development Act Funds (TDA). For the year ended June 30, 1988 TDA assistance was \$387,000 (1987, \$713,000), of which \$39,000 (1987, \$165,000) was used for capital purposes and \$348,000 (1987, \$548,000) was operating assistance. These funds are received from the counties of Alameda and Contra Costa to meet, in part, the District's operating and capital requirements based on annual claims filed by the District and approved by the Metropolitan Transportation Commission (MTC).

The District receives state operating and capital assistance from State Transit Assistance Funds (STA). For the year ended June 30, 1988, STA assistance was \$250,000 (1987, \$632,000), of which \$93,000 (1987, \$73,000) was used for capital purposes, \$77,000 (1987, \$479,000) was operating assistance and \$80,000 (1987, \$80,000) was used for flow-through projects. These funds are allocated by MTC based on the ratio of the District's transit operation revenue and local support to the revenue and local support of all state transit agencies.

9. EMPLOYEES RETIREMENT PLAN

Plan Description - All permanent employees are eligible to participate in the Public Employees' Retirement Fund (Fund) of the State of California's Public Employees' Retirement System. The Fund is an agent multiple-employer defined benefit retirement

plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The Fund provides retirement, disability, and death benefits based on the employee's years of service, age and compensation. Employees vest after five years of service and may receive retirement benefits at age 50. These benefit provisions and all other requirements are established by state statute and District ordinance.

The District contributed to the Fund .015% and 14.10% of payroll for public safety personnel and 0% and 8.24% for miscellaneous covered employees for the years ended June 30, 1988 and 1987, respectively. The District's 1988 contribution rates were reduced due to a surplus of the District's portion of the Fund's net assets over the District's pension benefit obligation caused by a change in actuarial valuation method and an actual rate of return on investment assets that exceeded the assumed rate. The District's covered payroll for employees participating in the Fund for the years ended June 30, 1988 and 1987 was \$83,178,000 and \$79,940,000, respectively. The District's 1988 and 1987 payroll for all employees was \$91,325,000 and \$86,301,000, respectively.

Funding Status and Progress - Actuarial data as of June 30, 1988, including the District's pension benefit obligation discussed below, has not yet been prepared by the Fund's actuaries in accordance with Governmental Accounting Standards Board Statement No. 5, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers" (GASB No. 5). According to the Fund's actuaries, such data will be available in late calendar 1988.

These disclosures are based on actuarial data prepared in accordance with requirements in effect prior to GASB No. 5, and District Management believes such actuarial data provides a fair representation of the District's funding status and progress.

The "pension benefit obligation" is a standardized disclosure measure that results from applying actuarial assumptions to calculate the present value of estimated pension benefits payable in the future, based on the effects of projected salary increases, step rate benefits, and employees' estimated total service prorated on the basis of service to date. The measure is intended to help users assess the funding status of the District's portion of the Fund to which contributions are made on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used.

The pension benefit obligation shown below was computed as part of an actuarial valuation performed as of June 30, 1987. The significant actuarial assumptions used in the 1987 valuation to compute the pension benefit obligation were an assumed rate of return on investment assets of 8.5%, annual payroll increases of 5.75%, and no postretirement benefit increases.

The funding status applicable to the District's two employee groups at June 30, 1987 follows (in thousands):

	Public Safety	Miscellaneous	Total
Pension benefit obligation	\$ 11,260	\$ 160,310	\$ 171,570
Net assets available for benefits, at market	<u>15,663</u>	<u>193,877</u>	<u>209,540</u>
Surplus net assets over pension benefit obligation	<u>\$ 4,403</u>	<u>\$ 33,567</u>	<u>\$ 37,970</u>

Actuarially Determined Contributions Required and Contributions Made - The funding policy of the Fund provides for actuarially determined periodic contributions by the District at rates such that sufficient assets will be available to pay benefits when due. The District's contribution to the Fund for the years ended June 30, 1988 and 1987 were made in accordance with the actuarially determined requirements computed as of June 30, 1987 and 1986, respectively. The District's pension expense and funded contribution for the years ended June 30, 1988 and 1987 were \$1,000 and \$6,875,000, respectively. The reduction in the 1988 pension contribution was due to the surplus asset position in the District's portion of the Fund caused by a change in actuarial valuation method and an actual rate of return on investment assets that exceeded the assumed rate. The surplus asset position is being offset against the current year's normal cost contribution. The actuarially determined normal cost contribution rate before reduction for the surplus asset amortization was 17.075% (1987, 17.284%) for safety employees and 8.257% (1987, 7.201%) for miscellaneous employees. As a result of collective bargaining agreements, any savings in pension expenditure due to a reduction in contribution rate is to be redistributed towards an alternative benefit for covered employees.

The District's normal cost contribution rate is determined using the entry-age normal funding method. The Fund would use the same method to amortize any unfunded liability.

Significant actuarial assumptions used in the June 30, 1986 valuation to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

10. DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to all officers and employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination, or certain other covered events.

As required by IRC Section 457, all amounts of compensation deferred under the deferred compensation plan and all income attributable to those amounts, remain the property of the District (until paid or made available to the participants), subject only to the claims of the District's general creditors. Participants' rights under the deferred compensation plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant. The plan administrator has invested the deferred amounts in numerous participant-directed, uninsured investments.

District Management believes that the District has no liability under the terms of the plan for any amounts other than the participants' account balances.

11. MONEY PURCHASE PENSION PLAN

All District employees, except sworn police officers, participate in the Money Purchase Pension Plan which is a supplemental retirement program. In January 1981, the District's employees elected to withdraw from the Federal Social Security System (FICA) and established the Money Purchase Pension Plan. The District contributes an amount equal to 6.65% of covered employee's annual compensation (up to \$29,700 after deducting the first \$133 paid during each month) up to a maximum annual contribution of \$1,868. Additionally, the District contributes to each employee's account approximately 1.63% of covered payroll for the savings realized when the District de-pooled its Public Employees Retirement Fund (Fund) account. This amount was formerly paid to the employee's Fund account. Each employee's account is available for distribution upon such employee's termination.

The District's total expense and funded contribution for this plan for the years ended June 30, 1988 and 1987 were \$5,210,000 and \$5,106,000, respectively. Money Purchase Pension Plan assets at June 30, 1988 and 1987 were \$45,766,000 and \$39,529,000, respectively.

12. LITIGATION

The District is involved in various lawsuits, claims and disputes, which for the most part are normal to the District's operations. In the opinion of District Management, the costs that might be incurred, if any, would not materially affect the District's financial position or operations.

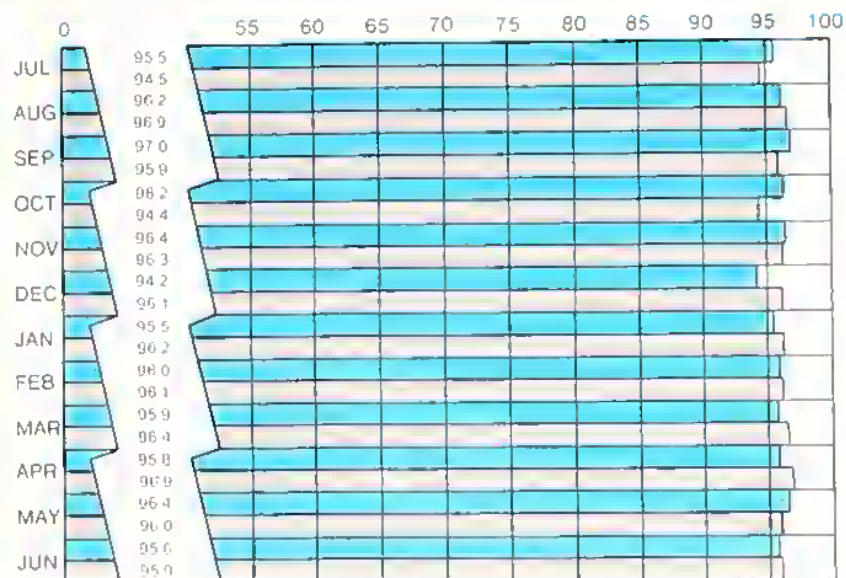
Supplemental Schedule of Reconciliation of Funded Operating Expenses in Excess of Revenues for the Years Ended June 30, 1988 and 1987 (In thousands)

The following is a reconciliation of funded operating expenses in excess of revenues after capital designations and before depreciation:

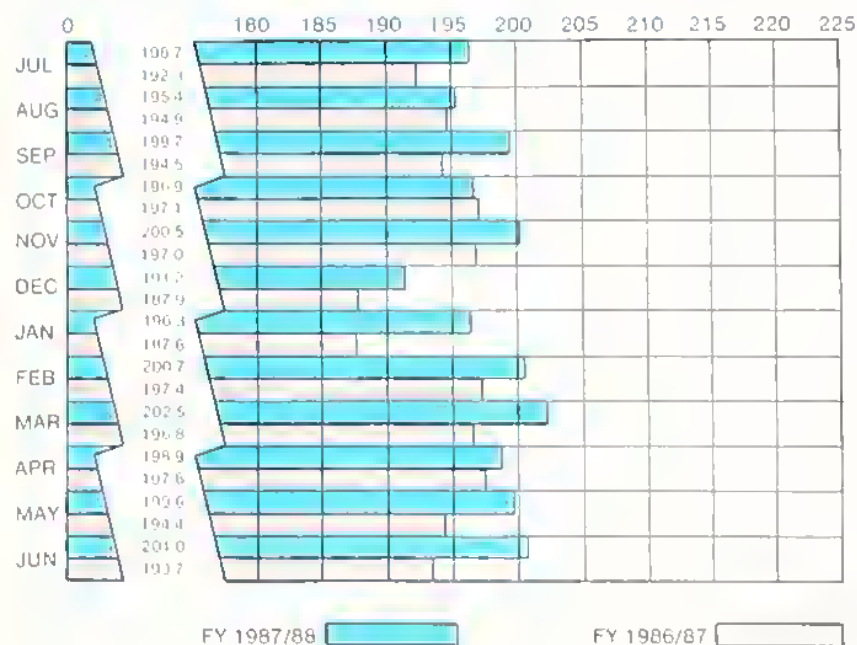
	1988	1987
EXCESS OF EXPENSES OVER REVENUES:		
Operations	\$ (30,554)	\$ (27,322)
CAPITAL DESIGNATIONS	(4,708)	(4,505)
DEPRECIATION	35,202	31,800
FUNDED OPERATING EXPENSES IN EXCESS OF REVENUES AFTER CAPITAL DESIGNATIONS AND BEFORE DEPRECIATION	\$ (60)	\$ (27)

Capital designations are made by the District annually for capital purposes which represent the excess of revenue over expenses before depreciation generated by operations.

Daily On-Time Performance



Average Weekday Patronage (000's)



Message from the General Manager

There is no doubt that the 1987/88 fiscal year represented a pivotal point in BART's continuing evolution. The level of public support in the Bay Area for regional rapid transit, including the willingness to pay for expansions and extensions, has never been higher.

This broad level of public support is reflected in the consensus on regional rail extension reached in March, under the auspices of the Metropolitan Transportation Commission (MTC). This was further reflected by the ensuing agreement in principle approved in June by BART and the San Mateo County Transit District.

The regional extension resolution puts heavy emphasis on extending the BART system in the three BART counties, as well as to the vicinity of the San Francisco Airport. Under the BART Board's Phase I Extension Policy, BART would expand from its current 71.5 miles to 104.6 miles of track and from 34 to 44 stations.

The agreement with SamTrans calls for 75% federal funding for the BART extension to the vicinity of the San Francisco International Airport with SamTrans paying the local share, as well as operating costs. SamTrans made an equity contribution of \$200 million to BART, which will be used to help fund extensions in the East Bay.

These two historic agreements signify the prominent position accorded to BART by the public and represent the resolution of long-standing differences of opinion regarding BART extension priorities and how they should be funded.

Also, during the period of this Annual Report, there was significant growth in ridership, following nearly eighteen months of level patronage. An aggressive marketing effort, coupled with increased parking capacity and consistently high marks for on time performance, contributed to this new growth cycle.

Ridership growth and the reality of extensions both underscore BART's progress during the year on the \$500 million program to expand passenger capacity on the present system. The completion of this program, with its many interlocking components, is now well in view. For example C-Cars are finally arriving and will soon be running in a test mode on the new Daly City turnback facility.

The components of this program, when integrated, will provide BART with greater operating efficiency, as well as increased passenger capacity. BART will be able to proceed with the extensions knowing that the basic system will support the increased passenger demands which they will bring.

We also made progress in solving the looming operating deficits facing BART and the other major transit operators. For example, the cost of the express bus program, under a new contract that goes into effect



Keith Bernard
General Manager, BART

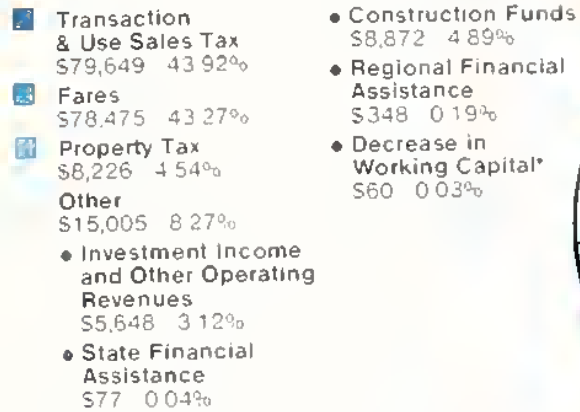
in January, 1989, is expected to decrease by \$1.4 million annually. Traction and station electrical power costs, also under a new contract now in effect, have been decreased by \$1.5 million annually. Labor negotiations were in progress at year end which, along with overall belt tightening, were expected to bring BART's future budgets into balance.

Accomplishments are generally gained by overcoming difficult problems along the way. We have had our share of both problems and accomplishments during the past year. We have maintained our resolve to insist on services and equipment that meet contractual standards of quality and performance even though at times this meant delays to previously established schedules. We have insisted on receiving fair value from suppliers and contractors and have taken the necessary time to get things right.

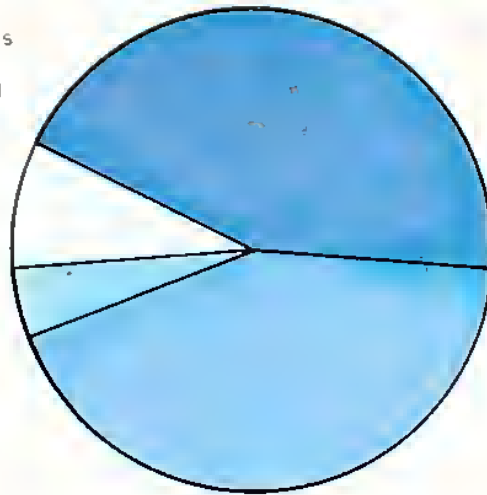
We should note the signposts of this past year and steer BART's course accordingly. First, there is broad public support for extending BART throughout the Bay Area. Second, improved performance and innovative marketing have led to a new cycle of ridership growth. Third, the capacity expansion program, which is nearing completion, is critical to increasing ridership and to the success of the extensions. In summary, if we maintain faith in this course, BART will increasingly become the dominant factor in the region's transportation picture.

Keith Bernard

Where Funds Came From (In Thousands)



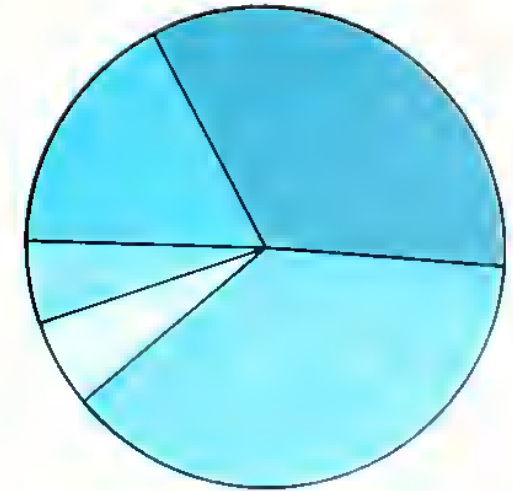
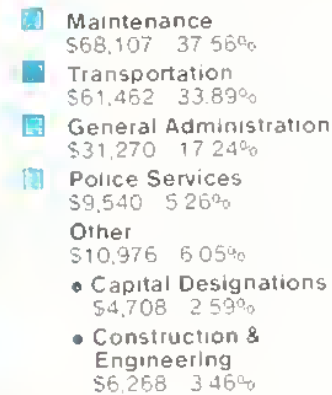
*Funded excess of expenses over revenues



TOTAL
\$181,355 100.00%

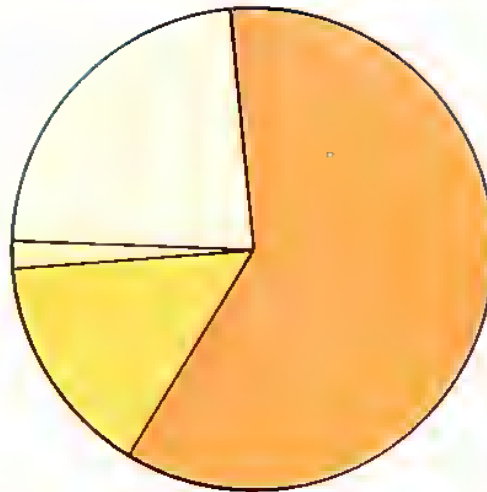
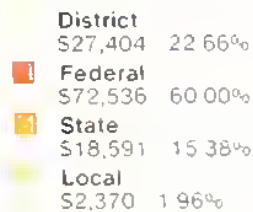
OPERATING FUNDS 1987/1988

How Funds Were Applied (In Thousands)



TOTAL
\$181,355 100.00%

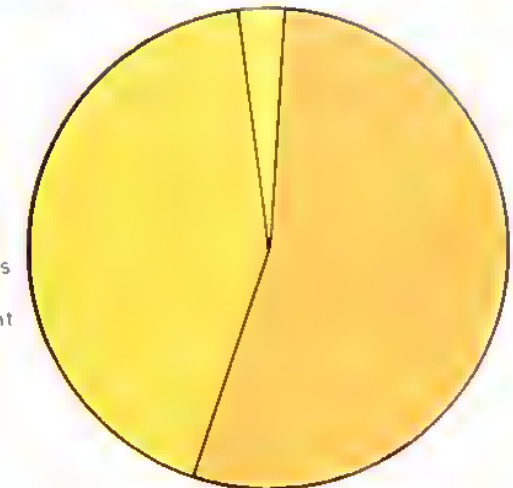
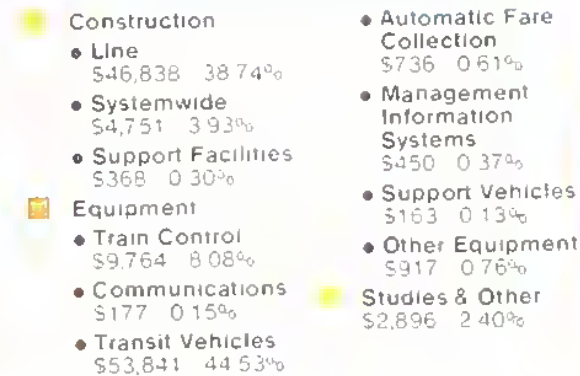
Source of Funds (In Thousands)



TOTAL
\$120,901 100.00%

CAPITAL FUNDS 1987/1988

Expenditures (In Thousands)



TOTAL
\$120,901 100.00%



San Francisco Bay Area Rapid Transit District (BART)

Headquarters in downtown Oakland, California
800 Madison Street, P.O. Box 12688
Oakland, CA 94604-2688 (415) 464-6000

Established in 1957 by the California State Legislature,
Authorized to plan, finance, construct, and operate a rapid
transit system.

Governed by a Board of Directors elected for four-year terms
by voters in nine election districts within the counties of
Alameda, Contra Costa and San Francisco.

BOARD OF DIRECTORS — Fiscal Year 1988

PRESIDENT

John Glenn, Fremont

VICE PRESIDENT

Wilfred T. Ussery, San Francisco

Members of the Board

District #1 - Bercley Simpson, Orinda
District #2 - Nello Bianco, El Sobrante
District #3 - Howard Abelson, El Cerrillo
District #4 - Margaret K. Pryor, Oakland
District #5 - Robert S. Allen, Livermore
District #6 - John Glenn, Fremont
District #7 - Wilfred S. Ussery, San Francisco
District #8 - Arto Hele Smith, San Francisco
District #9 - John H. Kirkwood, San Francisco

Board-Appointed Officers

C.K. Bernard, General Manager
Sherwood Wskemen, General Counsel
William F. Goetz, Controller/Treasurer
Phillip O. Ormsbee, District Secretary

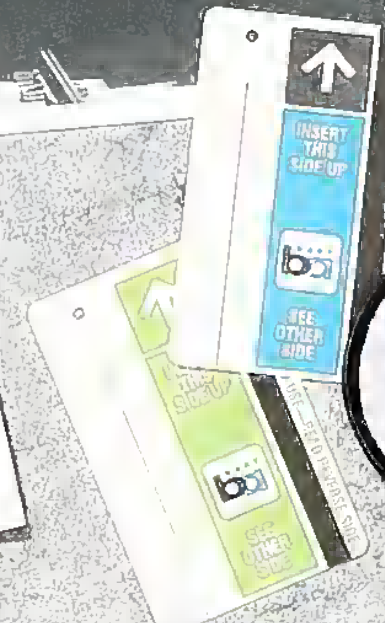
Department Managers Reporting to the General Manager

Richard P. Demko, Executive Manager, Maintenance & Engineering
William B. Fielsher, Chief Transportation Officer
Howard L. Goode, Planning, Budget & Analysis
Michael C. Heely, Public Affairs
Ernest G. Howard, Administrative Services
John Meek, Affirmative Action
Thomas R. Sheehan, Information Systems
William Thomas, Material Management & Procurement
Ralph S. Weule, Safety
Larry A. Williams, Employee Relations

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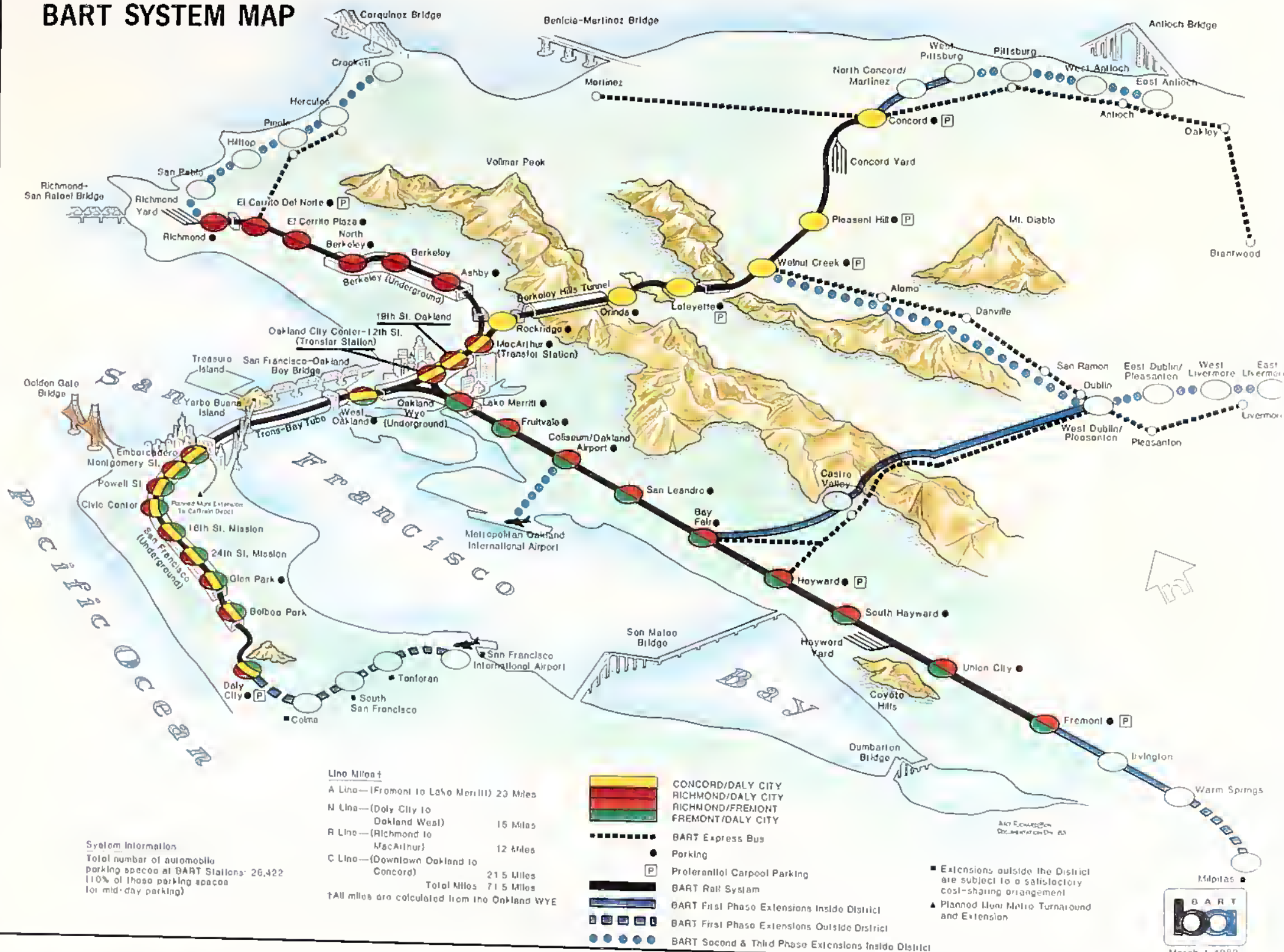
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BAY AREA RAPID TRANSIT DISTRICT ANNUAL REPORT 1988/1989

BART SYSTEM MAP



March 1, 1989



KEEPING OUR EYE ON THE RIDER

As the leading player on the Bay Area's public transportation scene, BART continued during fiscal 1989 to provide safe, reliable and convenient train service for commuters, shoppers, sightseers and people attending special events.

BART also continued to plan and prepare for extending its present 71.5 mile system to communities not presently served by rapid rail transit and to expand its capacity for carrying passengers on the existing system.

INCREASING OUR CAPACITY AND FREQUENCY

Fleet of Cars

As of June 30, 1989, BART had accepted 90 of the 150 new C-Cars designed to boost passenger capacity and increase operating efficiency. More than a year previously, on March 28, 1988, the first of the C-Cars in revenue service made an inaugural run from Fremont to Daly City.

The new cars had accumulated approximately 80,000 hours of revenue service as of June 30, 1989, but the number of the new cars available for revenue service (62 percent

in the April-June quarter) fell below District expectations.

BART identified deficiencies in the components of the new cars and communicated with the manufacturer and sub-contractors to correct them.

Integrated Control System

BART's new integrated control system (ICS) is designed to replace the District's existing train control computers and permit the operation of 75 trains instead of the present capacity of 55 trains.



The seven-stage project, when it is fully in place in 1991, will allow BART to monitor and supervise train scheduling, route selection and the setting of train performance levels.

During fiscal 1989, work on the interlocking and train tracking software was completed and work continued on prototypes to control failover (the process of a backup computer taking over from a failed primary computer) and recovery, train dispatching and scheduling, train management and the integration of the new control system

Daly City Projects

Nearing completion at the end of the fiscal year on June 30, 1989 were BART's Daly City Turnback, Yard and Shop projects, the largest construction program undertaken since the completion of the original system.

At a completion cost of approximately \$150 million, the Turnback, Yard and Shop will permit a faster "turnback" of south-bound trains reaching the Daly City Station. They will also provide storage and maintenance capacity for the increased fleet of cars and reduce dead-head miles. Decreasing the turnback time increases the allowable frequency of service.

As the fourth quarter of the fiscal year drew to a close, the Yard track and contact rail installation was virtually complete and the Yard traction power installation was roughly three-fourths complete.

At the same time, communications equipment and Yard control conduit and cables were being installed and the train control equipment was being tested

Electrical Capacity Increase

In June, 1989, just prior to the end of the fiscal year, BART awarded a contract for the installation of equipment designed to boost third rail power capacity and distribu-



tion. The project, expected to cost nearly \$8 million, is designed to allow the operation of more trains on BART's mainline tracks and in its yards.

New On-Board Control

BART's vehicle Automatic Train Control (ATC) system, designed to sharply reduce service disruptions due to equipment failure in BART's original control system, was retrofitted to 131 A-Cars by the close of the fiscal year. (The new C-Cars are already equipped with the new system.)

Software and hardware modifications to improve the new ATC even further were

under evaluation at the close of the year, for application to BART's C-Cars.

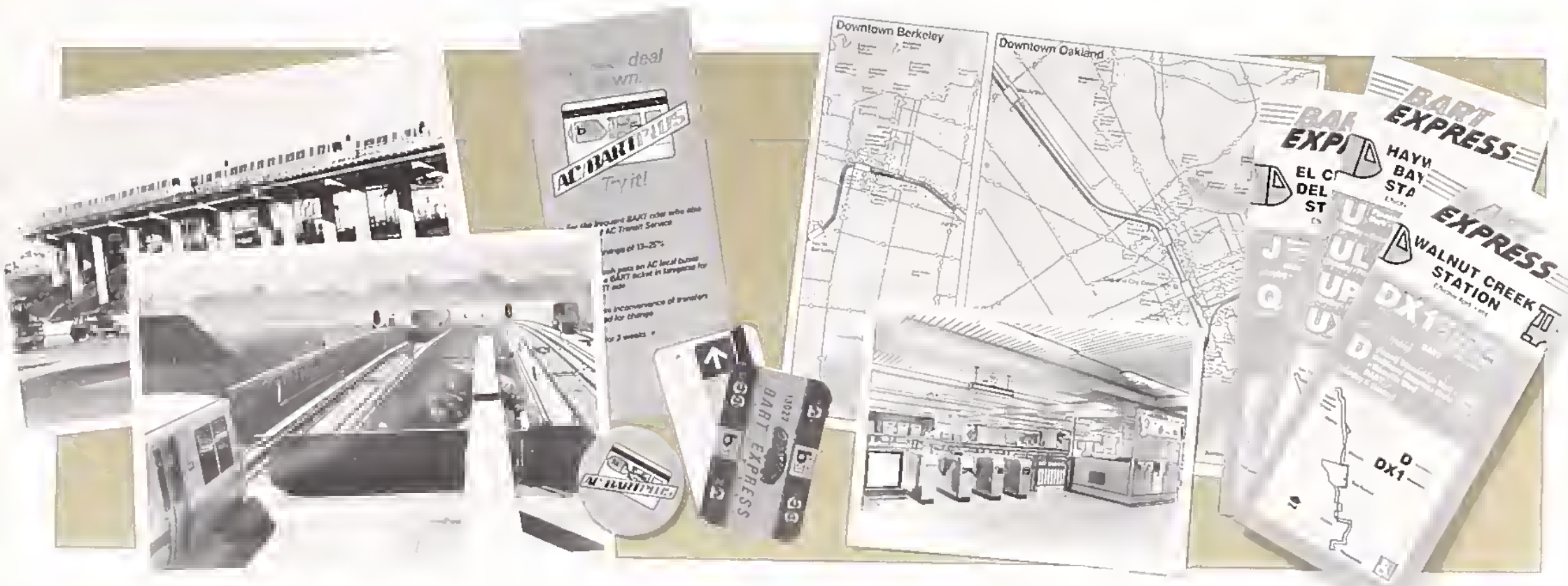
The primary benefit of the new system is the improvement in service reliability but it will also provide a smoother ride for passengers and will result in savings in energy consumption.

Wayside Train Control Modifications

A \$15 million program to reconfigure and modify track circuits, station approach markers, signals and software aimed at allowing trains to run at more frequent intervals to

and from San Francisco and the East Bay progressed on schedule during the fiscal year.

Due to the original design of BART's trackway, only one train can occupy a track 'block' at any one time and the original block size limits the time intervals between trains to 3.75 minutes. The wayside project includes shortening the blocks so that the trains can run at intervals of 2.25 minutes. The project is scheduled to be completed in 1991.



INCREASING OUR REACH

BART entered the 1989 fiscal year shortly after the adoption of a rail-funding program by the Metropolitan Transportation Commission (MTC). The MTC program included BART extensions in Alameda, Contra Costa and San Mateo counties. The adoption of the MTC program, reflecting a regional consensus, is considered to be a pivotal step in securing state funding commitments and in persuading voters to support additional sales-tax funding.

In October, 1988, for example, the California Transportation Commission (CTC)

committed \$200 million, plus escalation for inflation up to an additional \$48 million, to help fund BART Phase 1 extensions from Concord to West Pittsburg, with a station at North Concord/Martinez, from Fremont to Warm Springs, with a station at Irvington, from BART's Bayfair Station to the Dublin/Pleasanton area, with a stop at Castro Valley; and from the Daly City Station to San Francisco International Airport, with stops at Colma, South San Francisco and San Bruno.

The CTC action, which will require state funding legislation, will be released to BART in increments as the extensions are built.

In August, 1988, escrow closed on the purchase of a 53.9-acre parcel of land in West Livermore as a future site for a BART station as part of the second phase of the District's extension program. Construction would also not begin until the completion of an environmental impact report.

In April, 1989, BART's Board of Directors approved an \$18 million contract for preliminary engineering and general engineering for extensions to Pittsburg, Warm Springs and Colma. Preliminary engineering for the extension to Dublin was already in progress under a separate consultant contract.



BART APPROVES THREE-YEAR UNION CONTRACTS

BART's Board of Directors approved in September, 1988, three-year collective bargaining agreements between the District and the Amalgamated Transit Workers Union and the United Public Employees Union.

The new contracts have cost increases amounting to \$22.5 million more than the previous contracts. Work rule changes and other negotiated items, however, are expected to bring the net costs of the contracts to \$14.8 million.

EXTRA SERVICES FOR SPECIAL EVENTS

BART stepped up its efforts during the fiscal year to encourage Bay Area residents and visitors to ride BART to special events.

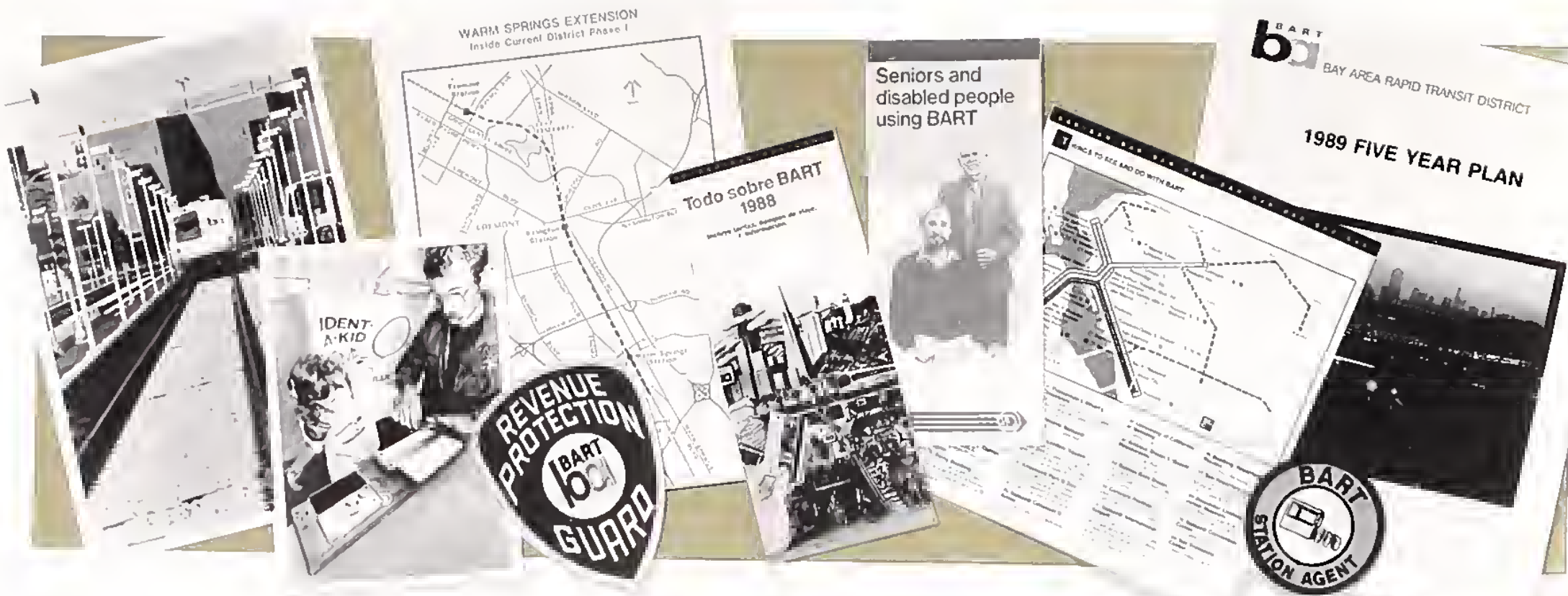
Beginning with the July 4 weekend, BART inaugurated a special family fare discount program that allowed three passengers to ride for the price of only one full-fare ticket. The special fare was in effect on weekends through Labor Day.

In September, BART kept open its Coliseum Station until 1 a.m. and had twelve 10-car trains standing by to provide service

for fans attending the Amnesty International concert at the Alameda County/Oakland Coliseum.

A month later, BART provided additional trains plus direct service from San Francisco and Concord on a Sunday for the American League play-off games. Additional trains were also in service when the victorious A's met the Los Angeles Dodgers in the World Series and direct service was available from Concord. Roughly one-third of the fans who saw the third, fourth and fifth games of the World Series at the Coliseum took BART.

Additional service was also provided for the UC Berkeley/Stanford football game, the



BART "Shopper Specials" over the Christmas holiday season, early morning New Year's day revelers, the "Welcome Home" to the San Francisco 49ers for their Super Bowl victory, the Bay to Breakers run and other special events

DISADVANTAGED BUSINESS ENTERPRISES

BART continued its efforts to make sure that at least 21 percent of the dollar amount of its contracts for goods and services was awarded to companies owned by minorities and women.

Several such companies, referred to as Disadvantaged Business Enterprises (DBE), were awarded BART contracts during fiscal year 1989.

Particularly noteworthy was the selection of two DBE companies as part of a joint venture construction contract-management team to administer and oversee BART's \$1.6 billion extension program. The two companies will be involved in supervising contracts for the preliminary engineering and construction of 33 miles of track, 10 stations and a maintenance yard.

Breaking new ground was a BART contract awarded to a group of DBE com-

panies as a part of a joint venture senior underwriter and co-manager teams to assist the district in the refunding of approximately \$135 million in sales tax revenue bonds. This contract marked a significant milestone.

Minority and women-owned companies have had limited success in the financial services area.

PERFORMANCE HIGHLIGHTS

	FY 1988/89	FY 1987/88
Rail Ridership		
Annual passenger trips	60,457,004	57,595,481
Average weekday trips	207,231	198,259
Average trip length	12.5 miles	12.5 miles
Annual passenger miles	757,225,230	722,583,063
Patron trip on-time performance (%)	95.3%	94.5%
System utilization ratio (passenger miles to available seat miles)	31.7%	32.0%
End-of-period ratios:		
Peak patronage	48.9%	49.4%
Offpeak patronage	51.1%	50.6%
BART's estimated share of peak period Transbay trips—cars, trains & buses (a)	39.2%	38.8%
Operations		
Annual revenue car miles	33,195,099	31,393,094
Unscheduled train removals—average per revenue day	2.9	4.5
Transit car availability to revenue car fleet (b)	81.7%	88.8%
Passenger miles per equivalent gallon of gasoline	84.4	79.0

	FY 1988/89	FY 1987/88
Passenger accidents reported per million passenger trips	12.64	13.94
Patron-related crimes reported per million passenger trips	32.92	34.17
Financial		
Net passenger revenues	\$ 83,192,000	\$ 78,475,000
Other operating revenues	6,421,000	5,648,000
Total operating revenues	\$ 89,613,000	\$ 84,123,000
Net operating expenses (excluding depreciation)	\$ 172,216,000	\$ 167,775,000
Farebox ratio (net passenger revenues to net operating expenses)	48.3%	46.8%
Operating ratio (total operating revenues to net operating expenses)	52.0%	50.1%
Net rail passenger revenue per passenger mile	11.0c	10.8c
Rail operating cost per passenger mile	20.8c	21.0c
Net average rail passenger fare (c)	\$ 1.38	\$ 1.35

Notes

General note: Data represents annual averages unless otherwise noted.

(a) Based on MTC Transbay survey data for October 1988 and April 1989 (7-9 a.m., 4-6 p.m.)

(b) At 8 a.m. each day

(c) Includes BART/MUNI Fast Pass

BART patronage increased by more than 2.8 million passenger trips during the 1989 fiscal year, with annual passenger trips reaching 60,457,004, compared with 57,595,481 for the prior year.

The District's estimated share of peak period transbay traffic, including cars, buses and trains, was 39.2 percent, up from 38.8 percent the previous year, based on surveys conducted by the Metropolitan Transportation Commission.

Net passenger revenues reached \$83,192,000 for fiscal 1989, an increase of \$4,717,000 over the fiscal 1988 figure of \$78,475,000. Total operating revenues (including \$6.4 million in interest income, advertising in trains and stations and other income) was \$89,613,000, an increase of over \$5 million from the previous fiscal year.

BART funded 52.0 percent of its net operating expenses, which amounted to \$172,216,000 (excluding depreciation) for fiscal 1989, from passenger fares and other operating revenues. This operating ratio was an increase of 1.9 per-

centage points from the prior fiscal year. The District's objective is to fund no less than one-half of its net operating expenses from operating revenues.

BART's farebox ratio, which relates net passenger revenues to net operating expenses, was 48.3 percent for fiscal 1989, an increase of 1.5 percentage points from the figure for fiscal 1988.

Net rail passenger revenue per passenger mile for fiscal 1989 was 11.0 cents, an increase from the previous year's 10.8 cents. Rail operating costs per passenger mile for fiscal 1989 was 20.8 cents, favorable compared to the previous year's figure of 21 cents.

Weekday passenger trips averaged 207,231 for fiscal 1989, compared with 198,259 for the previous year. Annual passenger miles reached 757,225,230 for fiscal 1989, an increase of 34,642,167 over the previous year, with an average of 12.5 miles for each trip during fiscal 1989, the same average figure reached the previous year.

In addition to funds derived from passenger

fares, interest income and advertising, BART received \$100.6 million in revenues from 75 percent of the one-half-cent transit sales tax in the three BART counties—\$732,000 in state and local funds and \$9.1 million in property tax available for operations.

Of the \$100.6 million derived from the sales tax, \$14.5 million was allocated to debt service and \$86.1 million was made available for operations.

BART Directors again reduced the property tax rate on the levy for repayment of the principal and interest of \$792 million in general obligation bonds approved by voters in 1962 for construction of the system. Directors set a tax rate of 3.72 cents per \$100 assessed value, down 3.9 cents for the previous fiscal year. The property tax generated revenues of \$50.3 million from property owners in Alameda, Contra Costa and San Francisco counties, the three counties making up the District.

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of San Francisco
Bay Area Rapid Transit District:

We have audited the accompanying balance sheets of San Francisco Bay Area Rapid Transit District as of June 30, 1989 and 1988 and the related statements of operations, capital and changes in financial position for the years then ended. These financial statements and the supplemental schedule discussed below are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of San Francisco Bay Area Rapid Transit District at June 30, 1989 and 1988 and the results of its operations and the changes in its financial position for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule, reconciliation of excess operating revenues over (under) expenses, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplemental schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte Haskins + Sells *Adams, Grant, Werner & Co.*

Deloitte Haskins + Sells
Oakland, California

Adams, Grant, Werner & Co.
September 8, 1989

BALANCE SHEETS

JUNE 30, 1989 AND 1988 (In thousands)

ASSETS	1989	1988
CURRENT ASSETS:		
Cash and investments (Note 3)	\$ 304,544	\$ 220,717
Deposits (Note 3)	24,332	23,795
Notes and other receivables	16,483	9,139
Materials and supplies — at average cost	14,623	15,076
Total current assets	359,982	268,727
INVESTMENTS (Note 3)	—	78,721
DEFERRED COMPENSATION PLAN INVESTMENTS (Notes 3 and 9)	47,855	37,494
INVESTMENTS RESTRICTED FOR BOARD DESIGNATED PURPOSES (Note 3)	25,270	25,771
FACILITIES, PROPERTY AND EQUIPMENT — At cost, less accumulated depreciation (Note 4)	1,670,319	1,580,433
TOTAL ASSETS	\$2,103,426	\$1,991,146

LIABILITIES AND CAPITAL	1989	1988
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 5)	\$ 42,585	\$ 38,880
Payroll and other liabilities	64,824	54,601
Self-insurance liabilities	7,669	6,313
Unearned passenger revenue	1,832	1,620
Total current liabilities	116,910	101,414
DEFERRED COMPENSATION (Note 9)	47,855	37,494
LONG-TERM DEBT (Note 5)	497,065	539,650
CAPITAL		
Grants and contributions, net	746,535	680,072
Accumulated net revenues	695,061	632,516
Total capital	1,441,596	1,312,588
TOTAL LIABILITIES AND CAPITAL	\$2,103,426	\$1,991,146

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED JUNE 30, 1989 AND 1988 (In thousands)

	1989				1988			
	OPERATIONS	CONSTRUCTION	DEBT SERVICE	COMBINED TOTAL	OPERATIONS	CONSTRUCTION	DEBT SERVICE	COMBINED TOTAL
		(Note 2)				(Note 2)		
OPERATING REVENUES								
Fares	\$ 83,192			\$ 83,192	\$ 78,475			\$ 78,475
Other (including investment income)	6,421			6,421	5,648			5,648
Total operating revenues	89,613			89,613	84,123			84,123
OPERATING EXPENSES								
Transportation	61,656			61,656	61,462			61,462
Maintenance	71,598			71,598	68,107			68,107
Police services	9,801			9,801	9,540			9,540
Construction and engineering	6,722			6,722	6,268			6,268
General and administrative	31,772			31,772	31,270			31,270
Depreciation	37,767			37,767	35,202			35,202
Total operating expenses	219,316			219,316	211,849			211,849
Less capitalized costs	(9,333)			(9,333)	(8,872)			(8,872)
Net operating expenses	209,983			209,983	202,977			202,977
OPERATING LOSS	(120,370)			(120,370)	(118,854)			(118,854)
OTHER REVENUES (EXPENSES)								
Transactions and use tax	86,120		\$ 14,494	100,614	79,649		\$ 12,594	92,243
Property tax	9,083		54,995	64,078	8,226		50,867	59,093
State financial assistance	362			362	77			77
Local financial assistance	370			370	348			348
Sale of tax benefits		\$ 3,077		3,077				
Other investment income		22,471	2,380	24,851		\$21,317	4,984	26,301
Interest expense			(25,683)	(25,683)			(35,146)	(35,146)
Other — net			(41)	(41)			(26)	(26)
Total other revenues	95,935	25,548	46,145	167,628	88,300	21,317	33,273	142,890
EXCESS OF REVENUES OVER (UNDER) EXPENSES	\$ (24,435)	\$25,548	\$ 46,145	\$ 47,258	\$ (30,554)	\$21,317	\$ 33,273	\$ 24,036

See notes to financial statements

STATEMENTS OF CAPITAL

FOR THE YEARS ENDED JUNE 30, 1989 AND 1988 (In thousands)

	GRANTS AND CONTRIBUTIONS	ACCUMULATED NET REVENUES	TOTAL
BALANCES, JUNE 30, 1987	\$611,127	\$592,366	\$1,203,493
EXCESS OF REVENUES OVER EXPENSES		24,036	24,036
OTHER ADDITIONS (DEDUCTIONS):			
Grants and contributions	85,059		85,059
Depreciation and retirements of assets acquired with grants and contributions	(16,114)	16,114	
BALANCES, JUNE 30, 1988	680,072	632,516	1,312,588
EXCESS OF REVENUES OVER EXPENSES		47,258	47,258
OTHER ADDITIONS (DEDUCTIONS):			
Grants and contributions	81,750		81,750
Depreciation and retirements of assets acquired with grants and contributions	(15,287)	15,287	
BALANCES, JUNE 30, 1989	<u>\$746,535</u>	<u>\$695,061</u>	<u>\$1,441,596</u>

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED JUNE 30, 1989 AND 1988 (In thousands)

	1989	1988
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 47,258	\$ 24,036
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	37,767	35,202
Capitalized interest (income) expense	(4,052)	913
Net effect of changes in:		
Deferred compensation plan liabilities	10,361	5,967
Notes and other receivables	(1,092)	1,158
Materials and supplies	453	(396)
Payroll and other liabilities	4,108	4,759
Sell-insurance liabilities	1,356	1,163
Unearned passenger revenue	212	36
Net cash provided by operating activities	<u>96,371</u>	<u>72,838</u>
INVESTMENT ACTIVITIES		
Expenditures for facilities, property and equipment	(116,393)	(118,096)
Proceeds from sale of investments	308,335	186,326
Purchase of investments	(308,335)	(186,326)
Total cash used by investment activities	<u>(116,393)</u>	<u>(118,096)</u>
FINANCING ACTIVITIES:		
Repayments of notes payable	—	(63,975)
Repayments of long-term debt	(38,880)	(36,710)
Capital grant contributions received	75,498	85,059
Total cash provided (used) by financing activities	<u>36,618</u>	<u>(15,626)</u>
CASH AND INVESTMENTS (Note 3)		
Net increase (decrease) for year	16,596	(60,884)
Beginning of year	381,792	442,676
End of year	<u>\$398,388</u>	<u>\$381,792</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

Description of Reporting Entity - San Francisco Bay Area Rapid Transit District (District) is a public agency created by the legislature of the State of California in 1957 and regulated by the San Francisco Bay Area Rapid Transit District Act, as amended, and subject to transit district law as codified in the California Public Utilities Code. The disbursement of all funds received by the District is controlled by statutes and by provisions of various grant contracts entered into with federal, state and local agencies.

For financial reporting purposes, the District's financial statements include all financial activities that are controlled by or dependent upon actions taken by the District's Board of Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments are stated at cost or amortized cost, except for investments of the deferred compensation plan which are stated at current (market) value. As a matter of policy, the District holds investments until their maturity.

Deposits, consisting of cash and investments, are held by trustee banks in accordance with the District's various bond indentures and for general debt service requirements. Deposits are stated at cost.

Facilities, Property and Equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation of assets acquired with District funds is distinguished from depreciation of assets acquired with grants and contributions by others.

The District capitalizes certain interest revenue and expenditures related to tax-free borrowings. The net effect of such interest capitalization was to increase expenditures for facilities, property and equipment by \$4,052,000 during the year ended June 30, 1989 for excess interest expenses over interest revenue from applicable borrowing and to decrease expenditures for facilities, property and equipment by \$913,000 during the year ended June 30, 1988 for excess interest revenue over interest expenses from applicable borrowings.

Self-insurance Liabilities - The District is largely self-insured for workers' compensation claims, general liability claims, and major property damage. The District accrues the estimated costs of the self-insured portion of claims.

Unearned Passenger Revenue is an estimate of passenger tickets purchased which have not yet been completely used.

Contributed Capital - The District periodically receives grants from the Urban Mass Transportation Administration (UMTA) and other agencies of the U.S. Department of Transportation, state, and local transportation funds for the acquisition of transit related equipment and improvements. Capital grant funds earned, less amortization equal to annual and accumulated depreciation of the related assets, are included in contributed capital.

Statements of Operations have been expanded to present the financial activities of the general operations of the transit system, revenues restricted by the Board of Directors for construction activity, and revenues restricted by the District's various bond indentures for debt service (including interest expense) on outstanding long-term debt.

Transactions and Use Tax (Sales Tax) Revenue - A 4% transactions and use tax is collected within District boundaries and administered by the State Board of Equalization. Of amounts available for distribution, 75% is paid directly by the State Board of Equalization to the District's trustee for the purpose of paying bond interest, principal and expenses. Monies not required for these purposes are transmitted to the District. The remaining 25% is allocated by the Metropolitan Transportation Commission (MTC) to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services. The District records the total transactions and use taxes earned (including amounts paid to the trustee) as revenue.

Property Taxes, Collection and Maximum Rates - The State of California Constitution Article XIII A provides that the general purpose maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts, such as the District.

The District receives property tax revenues to meet the debt service requirements of its General Obligation Bonds. The District also receives an allocation of property tax revenues for transit operations.

San Francisco, Alameda and Contra Costa Counties assess properties, bill for, collect, and distribute property taxes. Property taxes are recorded as revenue and receivables, net of estimated uncollectibles, in the fiscal year of levy.

Financial Assistance Grants are accrued as revenue in the period to which the grant applies.

Sale of Tax Benefits - The District has entered into agreements to sell tax benefits for certain District-owned transit equipment contracted for purchase prior to August 1986. The transactions have been structured in the form of leases for tax purposes. The District recognizes tax benefit sales proceeds in the period of sale of tax benefits.

Pension Costs are expensed as incurred. Such costs equal the actuarially determined annual contribution amount. See Note 8.

3. CASH AND INVESTMENTS

The District maintains a cash and investment pool that includes cash and investments available for general use and restricted for Board designated purposes. Cash and investments of the District's deferred compensation plan (see Note 9) are held separately by the plan's administrator.

Deposits - At June 30, 1989 (and 1988), the District's cash on hand was \$968,000 (1988, \$899,000), and the carrying amount of the District's time and demand deposits was \$1,189,000 (1988, \$6,405,000) with the corresponding bank balance of \$4,867,000 (1988, \$12,120,000). Of the bank balance \$499,000 (1988, \$375,000) was insured by federal depositary insurance or collateralized by securities held by the District's agent in the District's name, and \$4,368,000 (1988, \$11,745,000) was collateralized 110% as required by Section 53652 of the California Government Code by the pledging financial institutions. However, such collateral is not in the District's name.

Investments - State of California statutes and District policy authorize the District to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, bankers' acceptances, repurchase and reverse repurchase agreements, and the State Treasurer's investment pool. The District did not enter into any reverse repurchase agreements during 1989 or 1988.

The District's investments are categorized below to give an indication of the credit risk assumed by the District at June 30, 1989. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the District's name.

	(In Thousands)						
	1989			1988			
	Category 1	2	3	Carrying Amount	Market Value	Carrying Amount	Market Value
U.S. Treasury notes	\$ 12,955			\$ 12,955	\$ 12,959	\$ 45,731	\$ 45,566
Federal agency obligations	268,755	\$34,739		303,494	303,849	258,307	258,514
Repurchase agreements	23,703	8,224		31,927	31,927	32,375	32,375
Total	<u>\$305,413</u>	<u>\$42,963</u>	<u>—</u>	348,376	348,735	336,413	336,455
Cash on hand				968	968	899	899
Time and demand deposits				1,189	1,189	6,405	6,405
Mutual funds:							
Fidelity Money Market						581	581
Deferred compensation plan investments				47,855	47,855	37,494	37,494
Total				<u>\$398,388</u>	<u>\$398,747</u>	<u>\$381,792</u>	<u>\$381,834</u>
Reported as							
Cash and investments				\$304,544		\$220,717	
Payroll and other liabilities (representing cash overdraft)				(3,613)		(4,706)	
Deposits				24,332		23,795	
Investments				—		78,721	
Deferred compensation plan investments				47,855		37,494	
Investments restricted for Board designated purposes				25,270		25,771	
Total				<u>\$398,388</u>		<u>\$381,792</u>	

Cash and investments restricted for Board of Directors' designated purposes are summarized as follows (in thousands):

	1989	1988
Basic system completion	\$ 9,602	\$10,413
System improvement	3,068	2,858
Self-insurance	9,000	9,000
Operating	3,600	3,500
Total	<u>\$25,270</u>	<u>\$25,771</u>

4. FACILITIES, PROPERTY AND EQUIPMENT

Facilities, property and equipment, assets lives, and accumulated depreciation and amortization at June 30, 1989 and 1988 are summarized as follows (in thousands)

	Lives (Years)	1989		1988	
		Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Land		\$ 184,048		\$ 179,244	
Improvements	80	1,168,682	\$208,521	1,118,988	\$194,336
System-wide operation and control	20	180,741	83,300	142,686	75,448
Revenue transit vehicles	30	305,348	86,898	211,048	77,371
Service and miscellaneous equipment	3-20	22,744	13,411	21,362	11,978
Capitalized construction and start-up costs	30	100,943	50,975	100,331	47,452
Repairable property items	30	10,141	3,409	8,544	3,104
Construction-in-progress		144,186	—	207,919	—
Total		<u>\$2,116,833</u>	<u>\$446,514</u>	<u>\$1,990,122</u>	<u>\$409,689</u>

The District has entered into contracts for the construction of various facilities and equipment totaling approximately \$242 million at June 30, 1989.

In June 1988, the District entered into Principles of Agreement (Agreement) with the San Mateo County Transit District (SamTrans) pertaining to extending the transit system to the vicinity of San Francisco International Airport (Airport). Under the terms of the Agreement, SamTrans will pay the District a \$200 million capital contribution, to be used for East Bay expansion and to be paid in installments (adjusted for inflation) upon reaching certain Airport extension milestones and, in addition, SamTrans will be responsible for funding 25% of the cost of extending the transit system to the Airport. District management's most current estimate, performed in 1987, of the cost of such Airport extension is approximately \$600 million. This project is contingent upon the District receiving adequate commitments for federal funding, and also upon expansion of the transit system in the East Bay.

5. LONG-TERM DEBT

Long-term debt at June 30, 1989 and 1988 is summarized as follows (in thousands)

	1989	1988
1962 General Obligation Bonds	\$389,300	\$427,700
1966 Special Service District Bonds	5,350	5,830
Total General Obligation Bonds	394,650	433,530
1985 Sales Tax Revenue Bonds	145,000	145,000
Total long-term debt	539,650	578,530
Current portion	(42,585)	(38,880)
Net long-term portion	<u>\$497,065</u>	<u>\$539,650</u>

1962 General Obligation Bonds - In 1962, voters of the member counties of the District authorized a bonded indebtedness totaling \$792 million of General Obligation Bonds. Payment of both principal and interest is provided by the levy of District-wide property taxes. Bond interest rates range from 1.5% to 6.0%.

1966 Special Service District Bonds - In 1966, City of Berkeley voters formed Special Service District No. 1 and authorized the issuance of \$20.5 million of General Obligation Bonds, of which \$12 million were issued, for construction of subway extensions within that city. Payment of both principal and interest is provided by taxes levied upon property within Special Service District No. 1. Bond interest rates range from 4.0% to 5.5%.

1985 Sales Tax Revenue Bonds - The 1969 Legislature of the State of California authorized the District to impose a .12% transactions and use tax within District boundaries and issue Sales Tax Revenue Bonds. On September 30, 1977, the Governor signed legislation which extended the transactions and use tax indefinitely. The tax is collected and administered by the State Board of Equalization. Of amounts available for distribution, 75% is paid to the District's trustee for the purpose of paying bond interest, principal and expenses. Monies not required for these purposes are transmitted to the District. The remaining 25% is allocated by the MTC to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services on the basis of regional priorities established by MTC.

In November 1985, the District issued sales tax revenue bonds (1985 bonds), totaling \$145,000,000, to refund and defease \$63,965,000 outstanding principal amount of sales tax revenue bonds issued in 1982, and to finance certain system improvements.

The 1985 bonds are special obligations of the District secured by a pledge of the sales tax revenues and are payable from revenues, including all sales tax revenues, all passenger fares, certain property tax revenues and certain interest, grants, and other income. Bond interest rates range from 6.40% to 9.00%. Bonds maturing on or after July 1, 1996 (\$127,250,000) are redeemable prior to maturity at the option of the District beginning July 1, 1995 on various dates at prices ranging from 103% to 100%, including bonds maturing July 1, 2004 (\$41,005,000) and July 1, 2011 (\$78,660,000) which are subject to redemption prior to maturity on or after July 1, 1998 and July 1, 2005 respectively at 100%.

The following is a schedule of long-term debt principal repayments required as of June 30, 1989 (in thousands)

	1962 G.O. Bonds	1966 Special Service District Bonds	1985 Sales Tax Revenue Bonds	Total
Year ending June 30				
1990	\$ 40,200	\$ 500	\$ 1,441	\$ 42,141
1991	33,700	520	2,167	36,387
1992	34,975	540	2,270	37,785
1993	36,275	570	2,405	39,250
1994	37,525	590	2,445	40,560
Thereafter	206,625	2,630	133,514	342,769
Total	<u>\$389,300</u>	<u>\$5,350</u>	<u>\$145,000</u>	<u>\$539,650</u>

6. FEDERAL CAPITAL GRANTS

The U.S. Department of Transportation provides financial assistance to the District for capital projects. Grants which were active during the year ended June 30, 1989 are summarized as follows (in thousands):

Total approved project costs	\$511,317
Total approved federal funds	\$397,419
Less amounts received	(317,026)
Remaining amount available under federal grants	\$ 80,393

7. STATE AND LOCAL FINANCIAL ASSISTANCE

The District receives local operating and capital assistance from Transportation Development Act Funds (TDA). For the year ended June 30, 1989 TDA assistance was \$375,000 (1988, \$387,000), of which \$5,000 (1988, \$39,000) was used for capital purposes and \$370,000 (1988, \$348,000) was operating assistance. These funds are received from the counties of Alameda and Contra Costa to meet, in part, the District's operating and capital requirements based on annual claims filed by the District and approved by the MTC.

The District receives state operating and capital assistance from State Transit Assistance Funds (STA). For the year ended June 30, 1989, STA assistance was \$501,000 (1988, \$250,000), of which \$139,000 (1988, \$93,000) was used for capital purposes, \$362,000 (1988, \$77,000) was used for operating assistance and none (1988, \$80,000) was used for flow-through projects. These funds are allocated by MTC based on the ratio of the District's transit operation revenue and local support to the revenue and local support of all state transit agencies.

8. EMPLOYEES RETIREMENT PLAN

Plan Description: All permanent employees are eligible to participate in the Public Employees' Retirement Fund (Fund) of the State of California's Public Employees' Retirement System. The Fund is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The Fund provides retirement, disability, and death benefits based on the employee's years of service, age and compensation. Employees vest after five years of service and may receive retirement benefits at age 50. These benefit provisions and all other requirements are established by state statute and District ordinance.

The District was not required to make a contribution to the Fund for public safety personnel or for miscellaneous covered employees for the years ended June 30, 1989 and 1988 due to a surplus of the District's portion of the Fund's net assets over the District's pension benefit obligation caused by a change in 1988 in the actuarial valuation method and an actual rate of return on investment assets that

exceeded the assumed rate. The District's covered payroll for employees participating in the Fund for the years ended June 30, 1989 and 1988 was \$85,746,000 and \$83,178,000, respectively. The District's 1989 and 1988 payroll for all employees was \$95,187,000 and \$91,325,000, respectively. The District, due to a Collective Bargaining Agreement, also has a legal obligation to contribute an additional 9% for public safety personnel and 7% for miscellaneous covered employees. Employees have no obligation to contribute to the Fund.

Funding Status and Progress: The "pension benefit obligation" is determined for each participating employer by the Fund's actuary and is a standardized disclosure measure that results from applying actuarial assumptions to estimate the present value of pension benefits, adjusted for the effects of projected salary increases and step rate benefits, to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the District's portion of the Fund to which contributions are made on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used.

The pension benefit obligation shown below was computed as part of an actuarial valuation performed as of June 30, 1988, the latest available for the Fund. The significant actuarial assumptions used in the 1988 valuation to compute the pension benefit obligation were an assumed rate of return on investment assets of 8.5%, annual payroll increases of 5.5% attributable to inflation and 1.5% attributable to merit or seniority, and no postretirement benefit increases.

The funding status applicable to the District's employee group at June 30, 1988 (the latest available for the Fund) follows (in thousands):

Pension benefit obligation	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 73,272
Current employees	
Accumulated employee contributions and allocated investment earnings	72,820
Employer-financed, vested	23,866
Employer-financed, nonvested	1,395
Total pension benefit obligation	171,353
Net assets available for benefits, at cost (total current (market) value, \$242,362)	214,290
Net assets in excess of pension benefit obligation	\$ 42,937

Actuarially Determined Contributions Required and Contributions Made: The funding policy of the Fund provides for actuarially determined periodic contributions by the District at rates such that sufficient assets will be available to pay benefits when due. The District was not required to make a contribution to the Fund for the years ended June 30, 1989 and 1988 in accordance with the actuarially determined requirements computed as of June 30, 1988 and 1987, respectively. The District's surplus asset position is being offset against the current year's normal cost contribution. The actuarially determined normal cost contribution rate before reduction for the surplus asset amortization was 15.342% (1988, 17.075%) for public safety employees and 8.201% (1988, 8.257%) for miscellaneous employees. As a result of collective bargaining agreements, any savings in pension expenditure due to a reduction in contribution rate is to be redistributed towards an alternative benefit for covered employees.

The District's normal cost contribution rate is determined using the entry-age normal funding method, a projected benefit cost method. The Fund would use the same method to amortize any unfunded liability.

Significant actuarial assumptions used in the June 30, 1988 valuation to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

Historical Trend Information: Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

For the District's portion of the Fund, trend information for the years ended June 30, 1988 and 1987, follows (dollars in thousands):

	1988	1987
Net assets available for benefits, at cost	\$214,290	\$189,801
Pension benefit obligation	\$171,353	\$151,795
Net assets available for benefits as a percentage of pension benefit obligation	125%	125%
Assets in excess of pension benefit obligation	\$ 42,937	\$ 38,006
Annual covered payroll	\$ 83,178	\$ 79,940
Assets in excess of pension benefit obligation as a percentage of annual covered payroll	51.6%	47.5%
Contributions made in accordance with actuarially determined requirements as a percentage of annual covered payroll	0%	0%

Trend information for 1989 is not yet available.

9. DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to all officers and employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination, or certain other covered events.

As required by IRC Section 457, all amounts of compensation deferred under the deferred compensation plan and all income attributable to those amounts, remain the property of the District (until paid or made available to the participants), subject only to the claims of the District's general creditors. Participants' rights under the deferred compensation plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant. The plan administrator has invested the deferred amounts in numerous participant-directed, uninsured investments.

District Management believes that the District has no liability under the terms of the plan for any amounts other than the participants' account balances.

10. MONEY PURCHASE PENSION PLAN

All District employees, except sworn police officers, participate in the Money Purchase Pension Plan which is a supplemental retirement program. In January 1981, the District's employees elected to withdraw from the Federal Social Security System (FICA) and established the Money Purchase Pension Plan. The District contributes an amount equal to 6.65% of covered employee's annual compensation (up to \$29,700 after deducting the first \$133 paid during each month) up to a maximum annual contribution of \$1,868. Additionally, the District contributes to each employee's account approximately 1.63% of covered payroll for the savings realized when the District de-pooled its Public Employees Retirement Fund (Fund) account. This amount was formerly paid to the employee's Fund account. Each employee's account is available for distribution upon such employee's termination.

The District's total expense and funded contribution for this plan for the years ended June 30, 1989 and 1988 was \$5,587,000 and \$5,210,000, respectively. Money Purchase Pension Plan assets at June 30, 1989 and 1988 (excluded from the accompanying financial statements) were \$54,489,000 and \$45,766,000, respectively.

11. LITIGATION

The District is involved in various lawsuits, claims and disputes, which for the most part are normal to the District's operations. In the opinion of District Management, the costs that might be incurred, if any, would not materially affect the District's financial position or operations.

SUPPLEMENTAL SCHEDULE OF RECONCILIATION OF EXCESS OPERATING REVENUES OVER (UNDER) EXPENSES FOR THE YEARS ENDED JUNE 30, 1989 AND 1988 (In thousands)

The following is a reconciliation of excess operating revenues over (under) expenses after capital designations and before depreciation:

	1989	1988
EXCESS OF EXPENSES OVER REVENUES		
Operations	\$(24,435)	\$(30,554)
CAPITAL DESIGNATIONS	(11,817)	(4,708)
DEPRECIATION	37,767	35,202
EXCESS OF OPERATING REVENUES OVER (UNDER) EXPENSES AFTER CAPITAL DESIGNATIONS AND BEFORE DEPRECIATION	\$ 1,515	\$ (60)

Capital designations are made by the District annually for capital purposes which represent the excess of revenue over expenses before depreciation generated by operations.

MESSAGE FROM THE GENERAL MANAGER

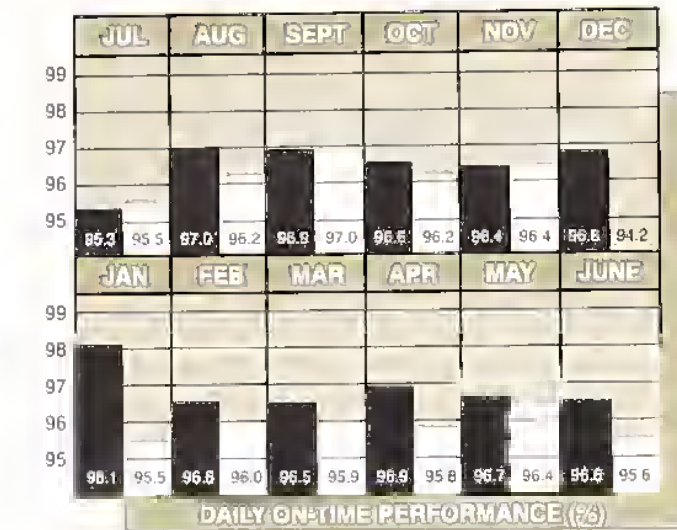


Four days before the end of the 1989 fiscal year, I assumed my position as General Manager of BART.

I was new to BART, but BART wasn't new to me. Through the years, I had followed BART's development closely and regarded the District as being in the forefront of up-to-date mass rail transit operations.

I gave a great deal of thought to BART just before I accepted the position of General Manager. It seemed to me that three words summed up BART's situation as the District moved to expand its passenger capacity and extend its service to additional communities. Those three words are heritage, maturity and challenge.

BART's heritage arises from the boldness and uniqueness of its concept and design and from the unrelenting energy and drive, against powerful opposition, that were given to its development and construction. Building BART, to most of those people who were responsible for its construction, was virtually a crusade, a matter of faith.

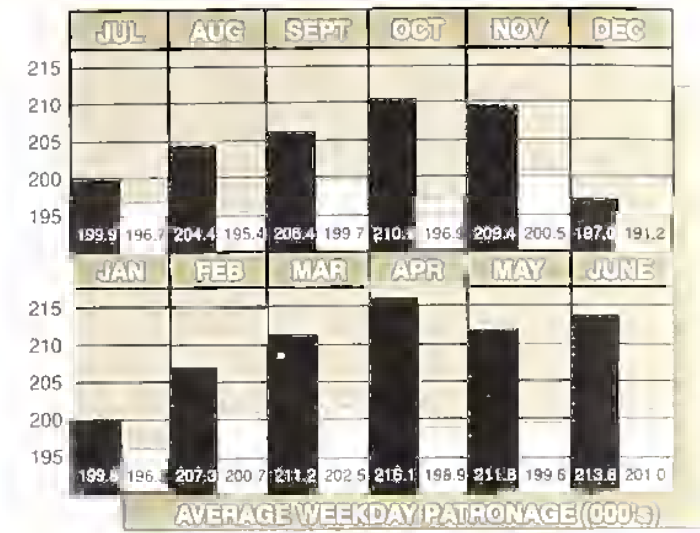


The size of the system, cost, technical innovations, engineering difficulties and, last but not least, its potential for service were unprecedented.

When I walked into BART in June, 1989, I was well aware of BART's heritage and I sensed that the District was at a crossroads. In a way, BART was like a mature individual with a brilliant career as a young person but with even more promise ahead. BART had conquered a host of early shakedown problems. It was well run, widely respected and had its face to the future.

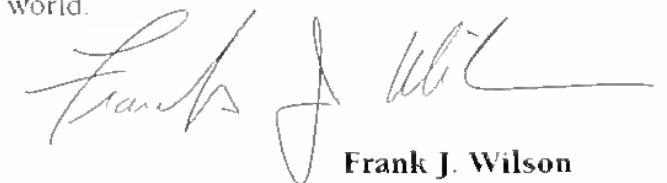
BART's responsibility to the future defines the challenge of today. BART now has nearly in place all of the elements of its program to expand capacity on the present 71.5 mile system: new passenger cars, additional electrical capacity, more storage and track facilities and better train control. At the same time, we are moving ahead with our extension program.

These projects must move ahead with the same dynamic energy that propelled the construction of the system in the 1960s and 1970s.



We can't miss a beat. We must continue to plan well, operate well and deliver well on our promise to expand and extend our service. But at the same time we set our sights to the future and a 50 percent expansion of the system, we must be ever mindful that our existing facilities have aged well but they have aged. We must embark on an aggressive rebuilding, renovation and rehabilitation of both fixed and operating assets. The promise of the future can only be built on the foundation of performance of the present system.

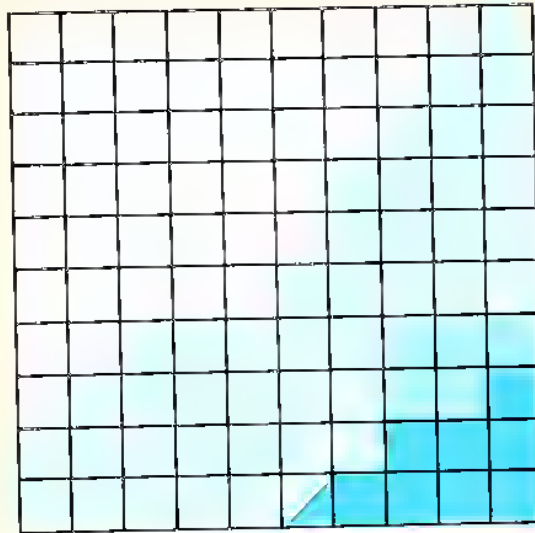
All of this isn't going to be easy. In fact, it's going to take a lot of hard work, but it's certainly a challenge that BART can meet. BART's heritage provides all of us at BART with an inspiration. We now have the opportunity to build on that heritage and continue to hold our position as the model for rail commuter systems throughout the world.


Frank J. Wilson
 General Manager, BART

OPERATING FUNDS 1988/1989

Where Funds Came From (In Thousands)

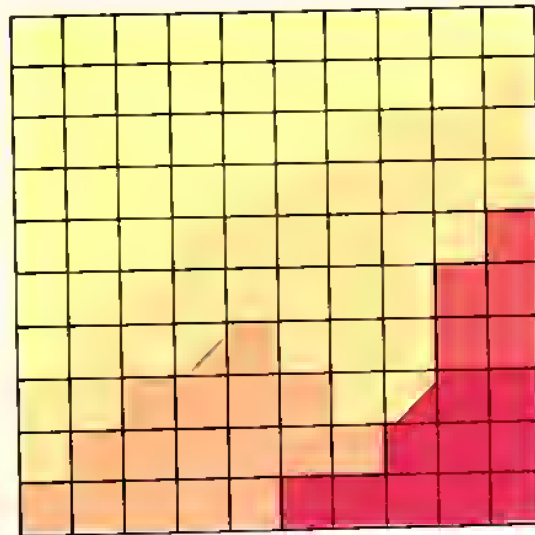
- Transaction & Use Sales Tax
\$86,120 44.19%
- Fares
\$83,192 42.69%
- Property Tax
\$9,083 4.66%
- Other
\$16,486 8.46%
 - Investment Income and Other Operating Revenues
\$6,421 3.29%
 - State Financial Assistance
\$362 0.19%
 - Construction Funds
\$9,333 4.79%
 - Regional Financial Assistance
\$370 0.19%



TOTAL
\$194,881 100.00%

How Funds Were Applied (In Thousands)

- Maintenance
\$71,598 36.74%
- Transportation
\$61,656 31.64%
- General Administration
\$31,772 16.30%
- Police Services
\$9,801 5.03%
- Other
\$20,054 10.29%
 - Capital Designations
\$11,817 6.06%
 - Construction & Engineering
\$6,722 3.45%
 - Increase in Working Capital*
\$1,515 0.78%



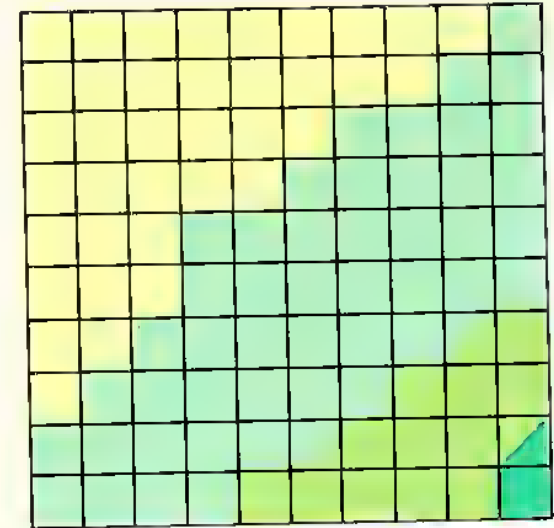
TOTAL
\$194,881 100.00%

*Funded excess of revenues over expenses

CAPITAL FUNDS 1988/1989

Source of Funds (In Thousands)

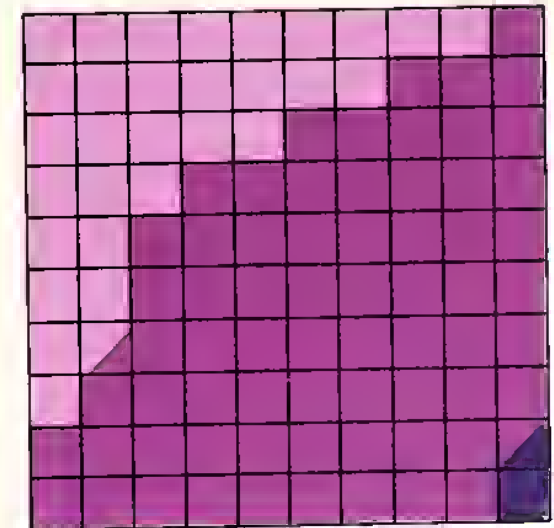
- District
\$41,583 37.08%
- Federal
\$54,042 48.20%
- State
\$14,825 13.22%
- Local
\$1,685 1.50%



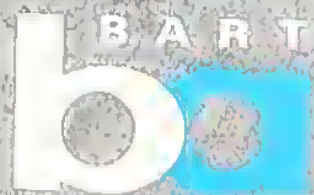
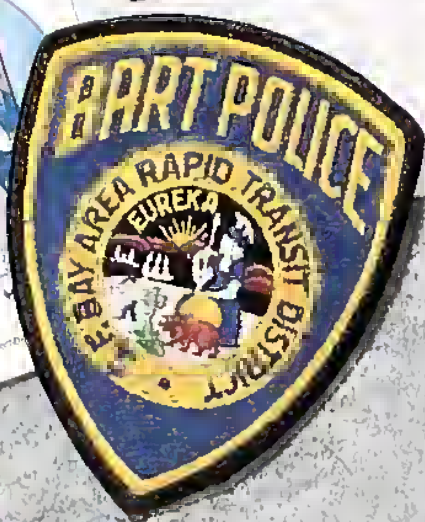
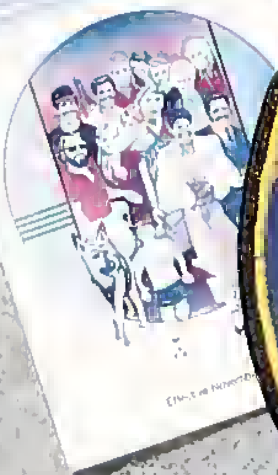
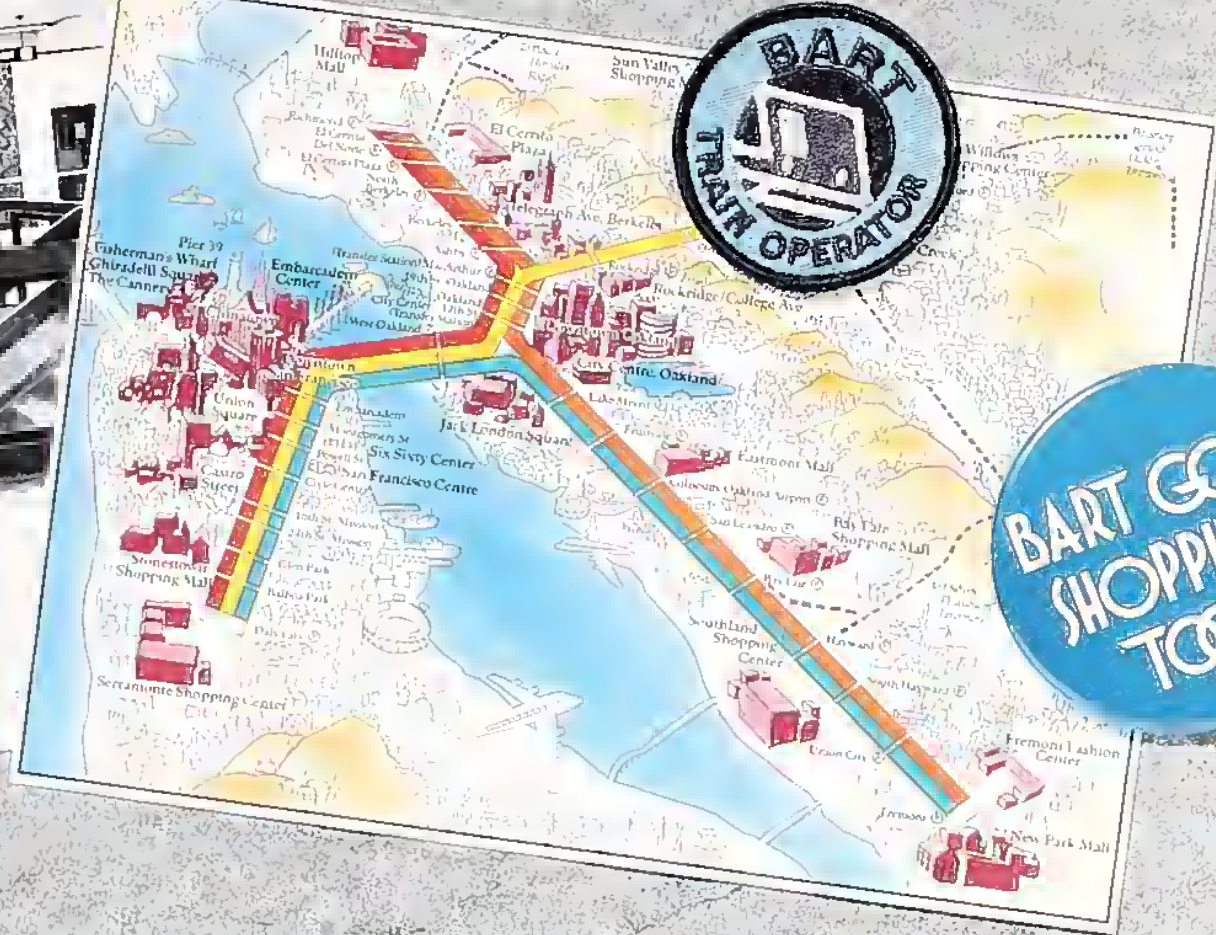
TOTAL
\$112,135 100.00%

Expenditures (In Thousands)

- Construction:
 - Line
\$32,116 28.64%
 - Systemwide
\$2,039 1.82%
 - Support Facilities
\$157 0.14%
- Equipment:
 - Train Control
\$8,128 7.25%
 - Communications
\$2,885 2.57%
 - Transit Vehicles
\$62,635 55.87%
 - Automatic Fare Collection
\$297 0.26%
 - Management Information Systems
\$562 0.50%
 - Support Vehicles
\$58 0.05%
 - Other Equipment
\$1,518 1.35%
- Studies and Other
\$1,740 1.55%



TOTAL
\$112,135 100.00%



San Francisco Bay Area Rapid Transit District (BART)

Headquarters in downtown Oakland, California
800 Madison Street, P.O. Box 12688
Oakland, CA 94604-2688 (415) 464-6000

Established in 1957 by the California State Legislature
Authorized to plan, finance, construct, and operate a rapid transit system.

Governed by a Board of Directors elected for four-year terms
by voters in nine election districts within the counties of
Alameda, Contra Costa and San Francisco.

BOARD OF DIRECTORS -- Fiscal Year 1989

PRESIDENT

Arlo Hale Smith, San Francisco

VICE PRESIDENT

Nello Bianco, El Sobrante

Members of the Board

- District #1 - Joe Fitzpatrick, Orinda
- District #2 - Nello Bianco, El Sobrante
- District #3 - Sue Hone, Berkeley
- District #4 - Margaret K. Pryor, Oakland
- District #5 - Erlene DeMarcus, Pleasanton
- District #6 - John Glenn, Fremont
- District #7 - Wilfred T. Ussery, San Francisco
- District #8 - Arlo Hale Smith, San Francisco
- District #9 - Michael Bernick, San Francisco

Board-Appointed Officers

Frank J. Wilson, General Manager
Sherwood Wakeman, General Counsel
Alyan Teragawachi, Controller/Treasurer
Phillip O. Ormsbee, District Secretary

Department Managers Reporting to the General Manager

George Macklin, (Acting) Executive Manager
Maintenance & Engineering
William B. Fleisher, Chief Transportation Officer
Howard L. Goode, Planning, Budget & Analysis
Michael C. Healy, Public Affairs
Ernest G. Howard, Administrative Services
John Mack, Affirmative Action
Thomas R. Sheehan, Information Systems
William Thomas, Material Management & Procurement
Ralph S. Weule, Safety
Larry A. Williams, Employee Relations

The Annual Report is published by the District pursuant to Section 28779, Public Utilities Code of the State of California.

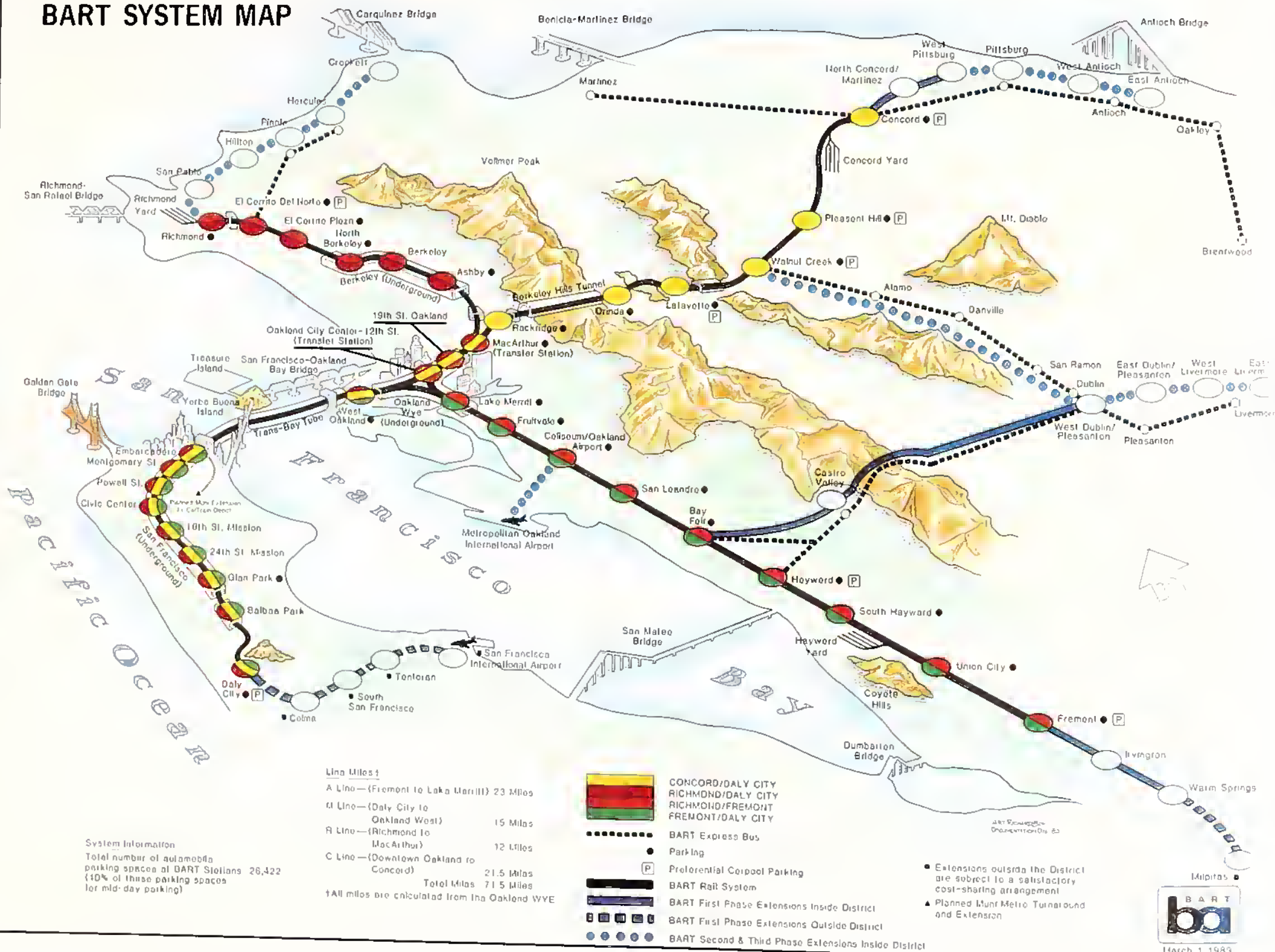
Design: DiVittorio & Associates, San Francisco
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Photography: Gordon C. Kloess, Half Moon Bay
Collage Photography: Craig Mole, San Francisco
System Map: Arthur Richardson, BART Documentation
Writer: Dndley Creed, San Francisco
Editor: Sy Moubet, BART Public Information Office

BAY AREA RAPID TRANSIT DISTRICT ANNUAL REPORT 1990



BART was ready
in the emergency

BART SYSTEM MAP





At four minutes after five o'clock on the afternoon of Tuesday, October 17, 1989, an earthquake rolled along the San Andreas Fault in Northern California.

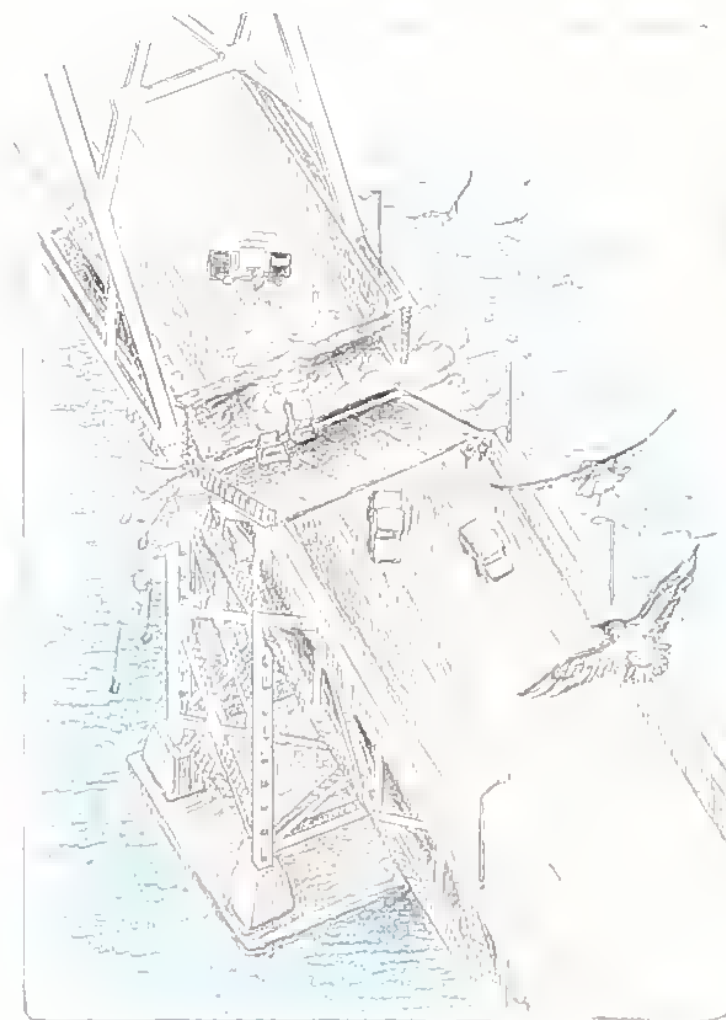
It was centered near Santa Cruz, south of the San Francisco Bay Area, but it caused death and destruction for more than 200 miles and disrupted the usual daily pattern of life for millions of people.

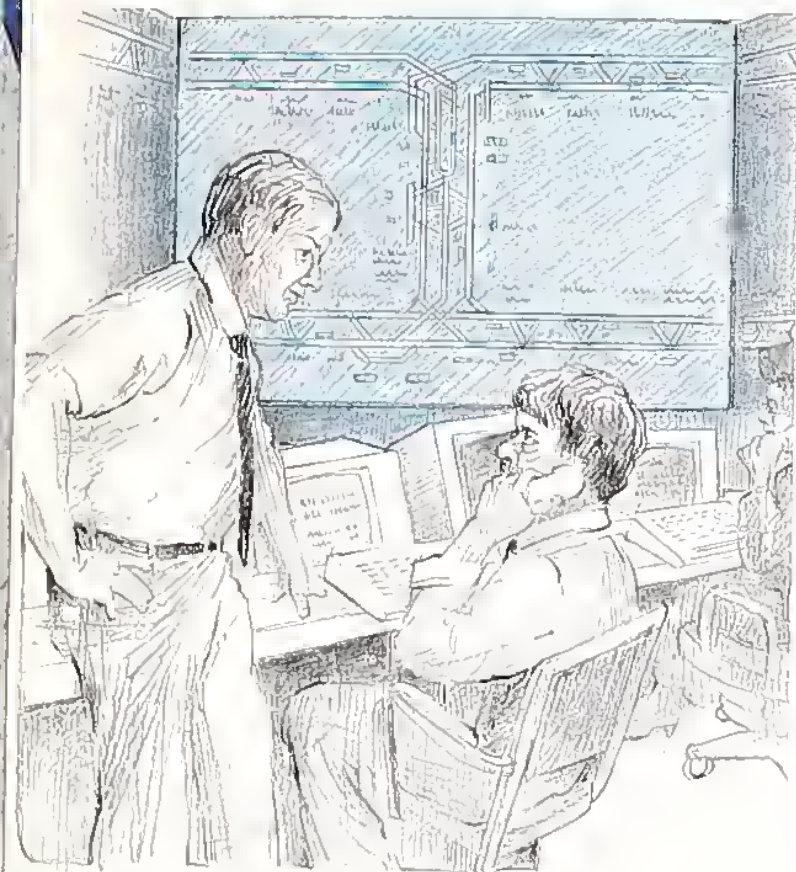
The quake was measured at 7.1 on the Richter Scale, the strongest tremor to hit Northern California since 1906, when a quake estimated at 8.0 struck along the same fault and combined with fire destroyed a large portion of San Francisco and caused widespread damage north and south of the city.

The 1989 earthquake and its immediate aftershocks collapsed and weakened buildings, homes and freeways. It caused a portion of the upper westbound level of the Oakland-San Francisco Bay Bridge to tear loose from its pinnings and collapse on to the lower level.

The 1989 quake struck at the peak commute hour. Thousands of people were in the process of heading home for the day. Some were already in their cars, on buses, or on BART trains, while others were getting ready to leave their offices. At Candlestick Park in southern San Francisco more than 40,000 people were waiting for the first pitch of Game Three of the World Series between the San Francisco Giants and the Oakland Athletics.

At BART headquarters in Oakland, most employees had just left the building a moment or two before the earthquake struck, but many BART departmental managers and senior officials were still in their offices. When the tumbling and rolling stopped, and after they determined that those around them were not hurt, their first thought was to reach BART's Central Control, the nerve center of the





District's 71.5-mile system of track, trains and stations, and to find out if the system was still running, what damage had been sustained throughout the system, and what they could do to help.

Although copies of BART's long-established Emergency Plan were available for consultation it seemed in those first few minutes after the rumbling and rolling stopped, the printed BART plan was almost superfluous. People seemed to have it in their head without glancing at it as they went about the business of determining what had happened and figuring out what to do about it.



The first order of business was to determine if any BART passengers or employees had been killed or injured as a result of the earthquake and to make contact with all trains on the line and with all stations.

Radio communication with a few train operators on the line was weak and sporadic, but telephone communication was intact throughout the system. All train operators were ordered to proceed to the nearest station, if possible, and to direct their passengers to leave the train and the station.

Two trains were in the 3.6-mile Transbay Tube, linking San Francisco and Oakland, when the earthquake struck, one headed west, the other east. The eastbound train, with ten cars and more than 1,000 commuters, was approaching the east end of the Tube. Although the train operator felt a "dip" at the moment of the quake, he did not realize an earthquake had taken place. The train proceeded to the West Oakland Station, where passengers disembarked.

backed. This same train was used less than three hours later by BART officials to proceed westward into the Tube to check for damage and reach the Embarcadero Station in San Francisco.

The westbound train, which was near the middle of the Tube when the earthquake struck, proceeded in "road manual" slowly to the Embarcadero Station. There, in complete darkness, except for the flashlights of BART train and station personnel, passengers left the train and the station.

Traction power to the tracks and some auxiliary station lighting in San Francisco was cut off by damage to a sub-station that supplied electricity to BART's West Bay facilities. Traction and station lighting power was gradually restored during the night on the west side of the Bay. Most of San Francisco itself was without electrical power during the first several hours after the earthquake, adding a measure of confusion, anxiety and discomfort. Full power was gradually restored to most parts of the city during the late-night and early-morning hours.

Meanwhile, from BART headquarters in Oakland, teams of BART engineers and officials fanned out to check the system. Reports of widespread destruction reached Central Control, but they proved to be completely unfounded as BART officials inspected each mile of track and every station and structure. Some of the preliminary inspection was carried out by helicopter.

As the evening progressed, it became obvious to officials at Central Control that the earthquake had not caused any injuries or deaths to BART passengers or personnel and that the system was intact. A lack of electricity throughout the San Francisco portion of the system remained a problem until early Wednesday morning.

BART employees worked throughout the night to make sure that the system was undamaged, to help restore power in the West Bay, and to return to regular passenger service as soon as possible. Passenger trains resumed service in the East Bay, at least on a limited-schedule basis, within four hours of the quake.

In at least one instance, at the Daly City Station, BART passengers were not directed to leave BART cars and the station. BART-bound baseball fans, who reached the Daly City Station by bus following the cancellation of the World Series game, were allowed to wait in the station or in the cars that had been positioned at Daly City to carry them home after the game. The cars were lighted and heated.

If the Bay Bridge had not been damaged, the story of BART and

the 1989 earthquake would more or less have ended on October 18, as regular weekday service was resumed throughout the system.

That closure, however, drastic, sudden and unexpected, created a new set of circumstances and propelled BART into a new phase of the story of the earthquake of 1989. The new phase had far-reaching consequences, not only for BART, but for the entire public transportation picture in the Bay Area.

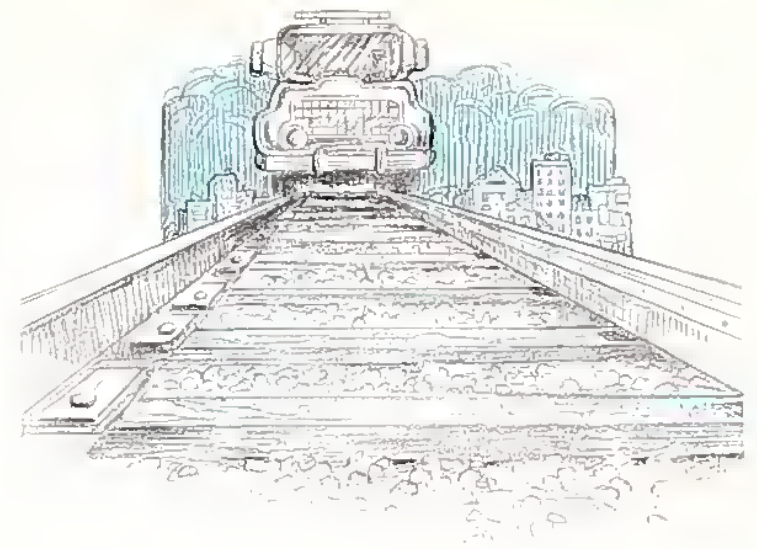
On an average weekday before the earthquake, approximately 343,000 "people trips" were made across the Bay Bridge in both directions, including occupants of cars, trucks and buses. BART's average weekday transbay patronage was approximately 102,000.

With the Bay Bridge closed, how were the commuters who customarily used the bridge going to get to and from work? The bridge commuters represented the majority of transbay commuters.

As soon as BART officials confirmed that the Bay Bridge was damaged and could not carry its usual load of commuter traffic, they began to make plans to take up the slack. How many bridge commuters would switch to BART?

Nobody could say for sure, but BART officials decided that BART had to be ready to carry as many passengers as the BART system could sustain. It was a matter of "pulling out all the stops." BART would have to be ready for whatever passenger load developed and to sustain that readiness for as long as the bridge was out.

Fortunately for BART, the full weekday commuter demand did not develop until Monday, October 23,



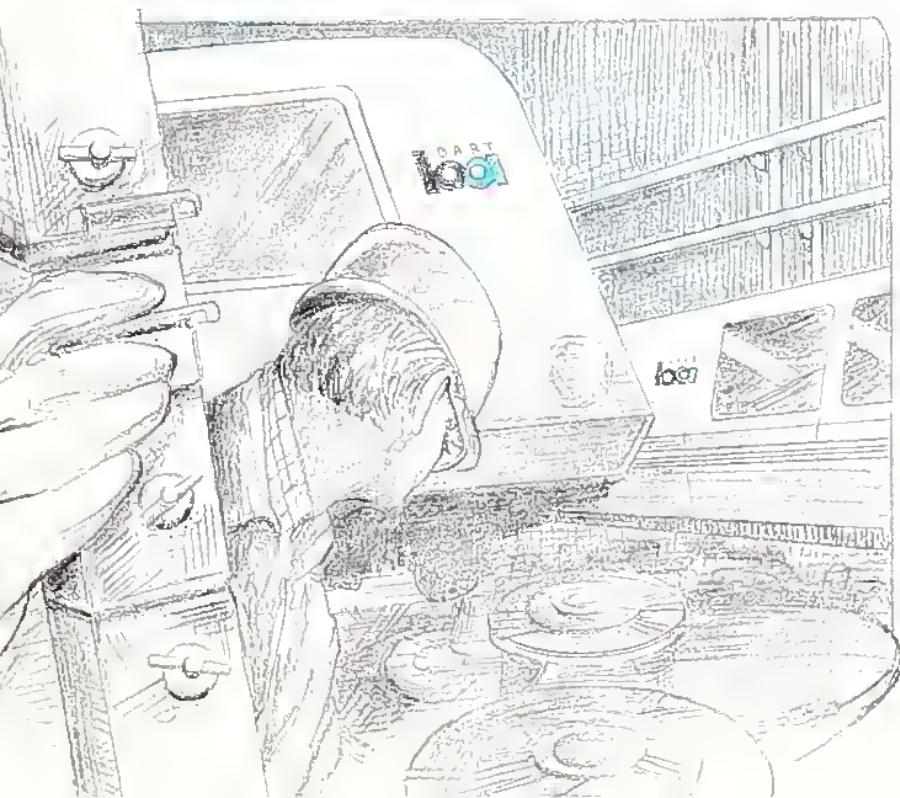
nearly a week after the earthquake. Many people simply stayed at home during the first few days after the quake and did not attempt to resume "business as usual" until the following Monday.

By that time, BART was ready for them. Even though it was impossible for BART to determine exactly how many new passengers could be expected to ride BART trains, it was certainly obvious that there would be thousands of them.

BART officials had to ask themselves: How many additional passenger cars would be needed in weekday service? Can additional trains be scheduled? Will it be possible to keep the cars maintained at the customary level of safety and efficiency? Can the existing rider facilities at stations accommodate thousands of new passengers? How many additional personnel would be required? How can the demand for additional parking spaces be met? How can the public best be informed about additional service, parking locations and connections with other transit agencies?

These questions are a mere sample of the ones that BART officials had to ask and answer in the first three days following the quake. The resources of the entire District—its people and equipment—were mobilized.

At the end of Monday, October 23, it was evident that BART was going to be busy. The day's passenger total was 290,000, compared with a prequake typical figure of 218,286, and the



Transbay Tube total was 180,775, compared to a typical weekday total of 102,152. And that was just the beginning. By the end of the week, on Friday, October 27, the day's passenger total was 329,276, with 207,170 through the Transbay Tube. The total passenger count for five weekdays from October 23 through October 27 was 1,580,325, nearly a million of them through the Tube. On October 23, BART inaugurated 24-hour service and continued it through November 30.

Patronage on the weekends also increased. On Sunday, October 28, the number of passengers totaled 159,129, compared to a pre-quake average of 92,610; the next day patronage totaled 97,749, compared with an average Sunday figure of 52,075.



Between Monday, October 30 and Friday, November 3, weekday patronage totaled 1,703,000, including 352,696 on November 3. During the first 15 weekdays beginning on October 23, daily patronage averaged 330,812. Within a week transbay patronage was running more than 200,000 every weekday.

The highest weekday total was reached on Thursday, November 16, with 357,135 passenger trips. The previous day, the highest Transbay figure was reached with 229,480. By November 16, the daily average weekday passenger trips reached 347,008.

Not only did the number of passengers far exceed the amount that BART had carried before the earthquake, but it exceeded the maximum amount of passengers that BART planners had envisaged 25 years earlier.

BART had demonstrated that the system could handle unprecedented passenger demand day after day and that BART's people could cope with this demand.

Project Open Hand, a San Francisco based organization that provides meals for people in need, used BART to get meals to recipients in the East Bay following the closure of the Bay Bridge. The organization turned out 7,000 meals a day for earthquake victims.

What would happen on November 20, the first Monday after the Bay Bridge was reopened, and in the following days? How many commuters would stick with BART?

The effort shows. Weekday patronage is up to an average of more than a quarter-million riders per day, compared to about 218,000 a day in the weeks before the quake. Roughly 20 percent of the new riders who switched to BART last year because the

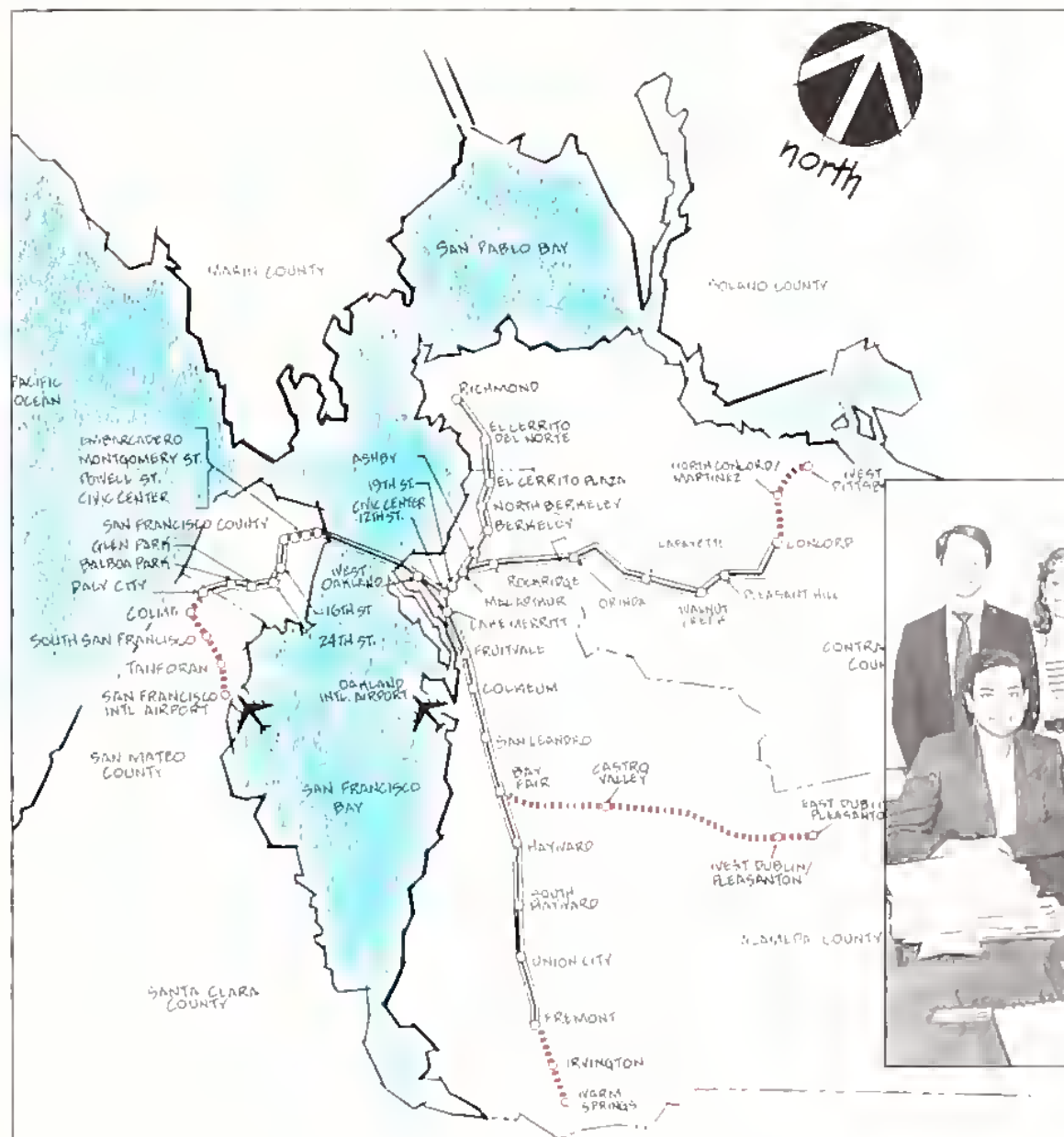


Bay Bridge was closed have stuck with BART.

The number of passengers who chose to continue to ride BART, however, is only one measure of the impact and important consequences of the role that BART played immediately following the earthquake. Thousands of Bay Area residents, including many public officials, came to have a new or heightened awareness of BART's capabilities and the role that BART does play, can play and could play in the region's transportation scene. This awareness was highlighted by local and national media plaudits and by Congressional recognition.

This awareness certainly was a factor in the widespread public support in June 1990, for additional taxes to ensure the financing of adequately equipping BART extensions.

Another consequence of the role that BART played following the closure of the Bay Bridge was the increased cooperation and coordination among BART and other transit agencies within BART's service area. By re-routing and re-scheduling bus service, other transit agencies, especially in the East Bay, provided an unprecedented level of coordinated transit service for their passengers.



LEGEND
 ——— PART RAIL SYSTEM/STATIONS
 - - - - - BART FIRST PHASE EXTENSIONS/STATIONS
 * THIRD STATION PRIVATELY FINANCED

Shown here is the team of dedicated BART Planners who made major advances with the proposed BART extensions of rail service: (seated L/R) Andrea Gordan, Extension Planner; Marianne Payne, Manager of Extension Planning; Korita Zimmerman, Extension Planner; Theresa Dunn, Extension Planner. (standing



L/R Alan Lee, Extension Planner; Marcy Heldt, Senior Secretary; Leo Rachal, Extension Planner and Mally Murphy, Community Relations Representative.

The District continued to make progress on its four Phase I extensions in Alameda, Contra Costa and San Mateo counties. When all of these extensions are completed by the turn of the century, they will add 33 miles and ten stations to the BART system.

Particularly significant was the final agreement between BART and the San Mateo Transit District (San Frans), signed on March 1, 1990, which calls for BART to receive \$200 million from San Frans and for BART to build an extension from Daly City to the San Francisco International Airport. An initial payment of \$10 million was made to BART on the day the final agreement was signed.

An additional \$90 million will be paid by San Frans to BART when construction begins on the Colma portion of the extension in 1991. Another \$90 million will be paid to BART when construction begins on the extension from Colma to the airport, scheduled for 1993. The final \$10 million will be paid to BART when the project is completed. These payments totaling \$200 million will be used by BART to finance the extensions in Alameda and Contra Costa counties. The agreement also calls for San Frans to pay 25 percent of the construction costs of the Colma Station and the line to the airport with the remaining cost expected to be made up from state and federal funding sources.

The final Environmental Impact Report (EIR) for the Colma link was nearing completion at the end of the fiscal year for submission to the Boards of Directors of BART and San Frans. Preliminary engineering, which had been held up pending the final agreement,



went forward after March 1 and was approximately 15 percent complete at the end of June. Construction on the Colma portion of this extension is scheduled to begin by the middle of 1991 and to be completed by the end of 1995.

By the end of the 1990 fiscal year, BART had completed and received public comment on the final EIR for the Dublin/Pleasanton extension. Preliminary engineering was completed in March and final design began in April. Construction on the Dublin/Pleasanton extension is scheduled to begin by the fall of 1991 and to be completed by the fall of 1995.

A public meeting on the Warm Springs extension was held in October, 1989, prior to the preparation of a draft EIR for the project. In May the draft EIR was completed and circulated for public comment. A public hearing on that draft report was held in June. Meanwhile, preliminary engineering on the Warm Springs project was completed and final design engineering was underway at the close of the fiscal year.

Construction on the Warm Springs extension is scheduled to

begin by the fall of 1993 and to be completed by the spring of 1998.

The Metropolitan Transportation Commission, the Santa Clara County Transit District and BART began the preparation of an alignment study for a possible future extension of BART from the Warm Springs district of Fremont to Milpitas, San Jose and Santa Clara. This detailed study should result in the selection of a preferred alternative for future project development.

Preliminary engineering for the Concord to North Concord phase of the Pittsburg/Antioch extension was nearing completion at the end of June. Final design is scheduled to begin by October 1990. Preliminary design work for the North Concord to West Pittsburg phase of this extension was delayed as a result of additional environmental impact studies being carried out by Contra Costa County for the Bailey Road Interchange and the Willow Pass Road lowering projects. However, portions of final design work for this phase of the extension will be completed to the maximum extent possible.

Ballot Measures

Voters throughout California approved three ballot measures on June 5 that will benefit BART over the next ten years. The measures specifically direct funds to BART extension projects.

Proposition 111 enacted a statewide "traffic congestion relief program" and updated government spending limits to help meet the needs of the state's growing population.

The money under the provisions of Proposition 111 will come from increased truck weight fees and a five-cent per gallon increase in the gasoline tax (effective August 1, 1990) and an additional one-cent gas tax increase on January 1 of each of the following four years. A portion of the funds generated by Proposition 111 will be available for BART projects, but that amount is yet to be determined.

Proposition 108 authorized the state to sell \$1 billion in general obligation bonds to construct passenger rail facilities, including urban rail, commuter rail and intercity rail.

Proposition 116 authorized a \$1.99 billion bond issue for rail projects throughout the state. Of the total, approximately \$108 million could be earmarked for BART under Proposition 116, but the allocation of funds under both Propositions 108 and 116 are subject to approval by the transit authorities in Alameda, Contra Costa and San Mateo counties, in accordance with the regional plan of the Metropolitan Transportation Commission (MTC).

S Y S T E M R E H A B I L I T A T I O N



Following a thorough review during the year of all BART facilities and equipment, BART formulated a ten-year rehabilitation program to refurbish the entire system.

The program will cost an estimated \$500 million and is aimed at restoring and rehabilitating all major systems and components of the District's "A" and "B" passenger cars, as well as all station facilities, track and maintenance structures and equipment. In short, the program will virtually restore BART's system to its original condition of 20 years ago.

The rehabilitation program is a natural outgrowth of a broad review of the District's facilities undertaken early in the fiscal year 1990. The new rehabilitation program consolidated several individual refurbishing projects then underway into a broader, more comprehensive program to embrace the entire District and all of its facilities and equipment.

Rehabilitating the District's 430 A and B cars will cost an estimated \$310 million and will entail the replacement or refurbishing of brakes, undercar wiring, air conditioning, side floors, seats, carpets, seats and mounts, coupler assemblies, foam panels and electrical components, roofs and A-car cabs and roofs. BART's shops in Richmond, Concord, Oakland and Hayward will be overhauled and upgraded. Roofs will be replaced, turntables, train-washers, lathes and cranes will be rehabilitated, and interiors and exteriors will be repainted. Cost of the shop and yard work is estimated to be \$32.5 million.



Other projects include the improvements of train, yard, maintenance and police radio communication systems; replacement of train destination signs; refurbishing and replacing fare collection machines; replacement of train control elements for train dispatching; replacement of track fixtures and various rails; and refurbishing power and mechanical facilities, including escalators and air conditioning equipment.

Delays, noise on the trains and the need for more labor-intensive repairs to keep the cars available for passenger service can all be traced to the gradually aging equipment. The doors on a typical car, for example, open and shut about 500 times a day. These doors have opened and shut nearly three million times since the car was originally put into service. About 30 percent of all train delays on BART are due to door malfunctions.

The average BART car, logging about 54,000 miles a year in passenger service, has traveled almost one million miles since it was placed in service.

BART expects to pay for the \$500 million rehabilitation program from a variety of sources, including capital outlays by BART itself and from state, regional and federal entities.



PUBLIC WORKS COMMISSION FINANCIAL REPORT, 1990

	FY 1990	FY 1989
Rail Ridership		
Annual passenger trips	70,549,547	60,457,004
Average weekday trips	241,525	207,231
Average trip length	12.6 miles	12.5 miles
Annual passenger miles	891,228,943	757,225,230
Patron trip on-time performance (%)	94.5%	95.3%
System utilization ratio (passenger miles to available seat miles)	30.7%	31.7%
End-of-period ratios:		
Peak patronage	47.6%	48.9%
Offpeak patronage	52.4%	51.1%
BART's estimated share of peak period transbay trips—cars, trains & buses (a)	50.0%	39.2%
Operations		
Annual revenue car miles	40,327,962	33,195,099
Unscheduled train removals—average per revenue day	2.2	2.9
Train car availability to revenue car fleet (b)	82.5%	81.7%
Passenger accidents reported per million passenger trips	13.56	12.64
Crimes-related crimes reported per million passenger trips	41.18	32.92
Financial		
Net passenger revenues	\$ 99,528,000	\$ 83,192,000
Other operating revenues	\$ 7,120,000	\$ 6,421,000
Total operating revenues	\$106,648,000	\$ 89,613,000
Net operating expenses (excluding depreciation)	\$192,983,000	\$172,216,000
Farebox ratio (net passenger revenues to net operating expenses)	51.6%	48.3%
Operating ratio (total operating revenues to net operating expenses)	55.3%	52.0%
Net rail passenger revenue per passenger mile	11.1¢	11.0¢
Rail operating cost per passenger mile	20.0¢	20.8¢
Net average rail passenger fare (c)	\$1.40	\$1.38

NOTES General note: Data represents annual averages unless otherwise noted.
 (a) Based on MTC Post-Earthquake Commute Survey (March 1990)
 (b) At 8 a.m. each day (c) Includes BART/MUNI Fast Pass

BART patronage for the fiscal year 1990 totaled 70,549,547, an increase of 10,092,543 over fiscal year 1989 and the highest patronage figure in the District's history. The record total reflects, of course, the unprecedented use of BART following the closure of the Oakland-San Francisco Bay Bridge on October 17, 1989.

The District's estimated share of peak period transbay traffic during FY1990, including cars, buses and trains, reached 50 percent, based on surveys taken during the year by the Metropolitan Transportation Commission. BART's estimated share of transbay commute traffic was 39.2 percent for FY1989. The 1990 figure reflects the fact that, during the month that the Bay Bridge was out of service, average weekday commute patronage on BART regularly exceeded 350,000.

Net passenger revenues reached \$99,528,000 for FY1990, an increase of \$16,336,000 over the FY1989 figure of \$83,192,000. Total operating revenues, including more than \$7,120,000 in interest income, advertising in trains and stations and other income, were \$106,648,000, an increase of \$17,035,000 from the previous fiscal year.

BART funded 51.6 percent of its net operating expenses which amounted to \$192,983,000 (excluding depreciation) for FY1990 from net passenger revenues. This farebox ratio amounted to 48.3 percent the previous year.

BART's operating ratio, which relates total operating revenues to net operating expenses amounted to 55.3 percent for FY1990, compared with 52 percent for the previous year. The District's objective is to fund no less than one-half of its net rail operating expenses from operating revenues.

Net rail passenger revenue per passenger mile for FY1990 was 11.1 cents, compared to 11 cents for the previous year. Rail operating

costs per passenger mile for FY1990 was 20 cents, compared with 20.8 cents for the previous year.

Weekday passenger trips averaged 241,525 for FY1990, compared with 207,231 for FY1989. On November 16, 1989, passenger trips throughout the system reached a record peak of 457,135. Average weekday ridership for the fourth quarter of FY1990 was 244,268 trips, 14.2 percent above the same quarter for FY1989. Total trips on BART for the fourth quarter of FY1990 amounted to 480,815, 15.2 percent above the same quarter the year before. These quarterly figures indicate a marked, permanent increase in BART ridership during the year, notwithstanding the extraordinary increase in patronage that took place temporarily following the closure of the Bay Bridge.

Annual passenger miles reached 891,228,943 for FY1990, an increase of 134,003,713 over the previous year.

In addition to funds derived from passenger fares, interest income and advertising, BART received \$106.1 million in revenue from 75 percent of the one-half cent transit sales tax in the three BART counties, \$4 million in local funds and \$9.8 million in property tax available for operations.

Of the \$106.1 million derived from the sales tax, \$14.6 million was allocated to debt service and \$91.5 million was made available for operations.

BART Directors again reduced the property tax rate on the levy for repayment of the principal and interest of \$792 million in general obligation bonds approved by voters in 1962 for construction of the system. Directors set a tax rate of 3.19 cents per \$100 assessed value, down from 3.72 cents for the previous fiscal year. The property tax generated revenue of \$45.4 million from property owners in Alameda, Contra Costa and San Francisco counties, the three counties making up the District.

FINANCIAL STATEMENT

INDEPENDENT AUDITORS' REPORT The Board of Directors of San Francisco Bay Area Rapid Transit District

We have audited the accompanying balance sheets of San Francisco Bay Area Rapid Transit District (the District) as of June 30, 1990 and 1989, and the related statements of operations, capital and changes in financial position for the years then ended. These financial statements and the supplemental schedule discussed below are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An

audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of San Francisco Bay Area Rapid Transit District at June 30, 1990 and 1989, and the results of its operations and the changes in its financial position for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of reconciliation of excess operating revenues to (under) expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. No supplemental schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche *Grant & Smith*
Deloitte & Touche Grant & Smith
Oakland, California September 7, 1990

BALANCE SHEETS

JUNE 30, 1990 AND 1989 (In thousands)

ASSETS	1990	1989
CURRENT ASSETS		
Cash and investments (Note 3)	\$ 274,035	\$ 304,544
Deposits held by trustee (Note 3)	24,551	24,352
Notes and other receivables	23,925	16,985
Materials and supplies at average cost	15,884	14,623
Total current assets	338,395	359,982
DEFERRED COMPENSATION PLAN INVESTMENTS (Notes 3 and 9)	55,558	47,855
INVESTMENTS RESTRICTED FOR BOARD DESIGNATED PURPOSES (Note 3)	20,586	25,270
LIABILITIES, PROPERTY AND EQUIPMENT At cost, less accumulated depreciation (Note 4)	1,741,570	1,670,319
TOTAL ASSETS	\$2,156,109	\$2,103,426

LIABILITIES AND CAPITAL	1990	1989
CURRENT LIABILITIES		
Current portion of long-term debt (Note 5)	\$ 36,290	\$ 42,585
Payroll and other liabilities	51,912	64,824
Self-insurance liabilities	10,946	7,149
Unearned passenger revenue	2,070	1,832
Total current liabilities	101,218	116,390
DEFERRED COMPENSATION (Note 9)	55,558	47,855
LONG-TERM DEBT (Note 5)	460,775	497,105
CAPITAL		
Grants and contributions, net	775,555	746,535
Accumulated net revenues	763,003	695,161
Total Capital	1,538,558	1,441,696
TOTAL LIABILITIES AND CAPITAL	\$2,156,109	\$2,103,426

See notes to financial statements

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED JUNE 30, 1990 AND 1989 (In thousands)

	1990				1989			
	OPERATIONS	CONSTRUCTION (Note 2)	DEBT SERVICE	COMBINED TOTAL	OPERATIONS	CONSTRUCTION (Note 2)	DEBT SERVICE	COMBINED TOTAL
OPERATING REVENUES								
Fares	\$ 99,528			\$ 99,528	\$ 83,192			\$ 83,192
Other (including investment income)	7,120			7,120	6,621			6,621
Total operating revenues	106,648			106,648	89,813			89,813
OPERATING EXPENSES								
Transportation	65,033			65,033	61,656			61,656
Maintenance	79,186			79,186	71,598			71,598
Police services	11,011			11,011	9,801			9,801
Construction and engineering	6,322			6,322	6,722			6,722
General and administrative	40,075			40,075	31,772			31,772
Depreciation	14,634			14,634	17,767			17,767
Total operating expenses	246,261			246,261	219,316			219,316
Less capitalized costs	(8,644)			(8,644)	(9,333)			(9,333)
Net operating expenses	237,617			237,617	209,983			209,983
OPERATING LOSS	(130,969)			(130,969)	(120,170)			(120,170)
OTHER REVENUES (EXPENSES)								
Transactions and use tax	91,512		\$14,552	106,064	86,120		\$14,494	100,614
Property tax	9,782		51,671	61,453	9,083		51,995	61,078
State financial assistance					967			967
Local financial assistance	113			113	370			370
Sale of bus benefits		\$14,244		14,244		\$ 4,017		4,017
Other investment income		20,176	2,114	22,320		13,111	5,380	18,491
Interest expense			(27,926)	(27,926)			(5,680)	(5,680)
Other - net			(34)	(34)			(4)	(4)
Total other revenues	101,707	34,420	90,107	176,534	98,035	25,548	66,145	189,728
EXCESS OF REVENUES OVER FUND EXPENSES	\$ (29,262)	\$34,420	\$90,107	\$ 95,565	\$ (21,135)	\$25,548	\$66,145	\$ 70,558

See notes to financial statements

STATEMENTS OF CAPITAL

FOR THE YEARS ENDED JUNE 30, 1990 AND 1989 (In thousands)

	GRANTS AND CONTRIBUTIONS	ACCUMULATED NET REVENUES	TOTAL
BALANCES, JUNE 30, 1988	\$680,072	\$132,516	\$1,312,588
EXCESS OF REVENUES OVER EXPENSES		47,258	47,258
OTHER ADDITIONS (DEDUCTIONS):			
Grants and contributions	81,750		81,750
Depreciation and retirements of assets acquired with grants and contributions	(115,287)	15,287	
BALANCES, JUNE 30, 1989	746,535	695,061	1,441,596
EXCESS OF REVENUES OVER EXPENSES		45,565	45,565
OTHER ADDITIONS (DEDUCTIONS):			
Grants and contributions	51,397		51,397
Depreciation and retirements of assets acquired with grants and contributions	(22,377)	22,377	
BALANCES, JUNE 30, 1990	\$775,555	\$763,003	\$1,538,558

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED JUNE 30, 1990 AND 1989 (In thousands)

	1990	1989
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 45,565	\$ 47,258
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation	44,634	37,711
Capitalized interest income (expense)	2,040	(440)
Net effect of changes in:		
Deferred compensation plan liabilities	7,703	10,301
Notes and other receivables	(1,388)	(1,091)
Materials and supplies	(1,261)	45
Payroll and other liabilities	(4,845)	4,198
Self-insurance liabilities	3,277	1,456
Unearned passenger revenue	238	212
Net cash provided by operating activities	95,963	96,071
INVESTMENT ACTIVITIES		
Expenditures for facilities, property and equipment	(126,924)	(116,393)
Proceeds from sale of investments	432,152	308,335
Purchase of investments	(432,152)	(308,335)
Total cash used by investment activities	(126,924)	(116,393)
FINANCING ACTIVITIES		
Repayments of long-term debt	(42,585)	(38,880)
Capital grant contributions received	45,343	75,498
Total cash provided by financing activities	2,758	36,618
CASH AND INVESTMENTS INCOME		
Net increase (decrease) for year	(28,203)	16,596
Beginning of year	398,388	381,792
End of year	\$370,185	\$398,388

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

Description of Reporting Entity - San Francisco Bay Area Rapid Transit District (the District) is a public agency created by the legislature of the State of California in 1957 and regulated by the San Francisco Bay Area Rapid Transit District Act, as amended, and subject to transit district law as codified in the California Public Utilities Code. The disbursement of all funds received by the District is controlled by statutes and by provisions of transit grant contracts entered into with federal, state and local agencies.

For financial reporting purposes, the District's financial statements include all financial activities that are controlled by or dependent upon actions taken by the District's Board of Directors.

Basis of Accounting - The accrual basis of accounting is used by the District. Under this method revenues are recorded when earned and expenses are recorded when the related liability is incurred.

2. SIGNIFICANT ACCOUNTING POLICIES

Intangibles are stated at cost or amortized cost, except for investments in the deferred compensation plan which are stated at current market value. As a matter of policy, the District holds investments until their maturity.

Deposits held by trustee, consisting of cash and investments, are held by trustee banks in accordance with the District's various bond indentures and for general debt service requirements. Deposits are stated at cost.

Facilities, property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation of assets acquired with District funds is distinguished from depreciation of assets acquired with grants and contributions by others.

The District capitalizes certain interest revenue and expenditures related to tax-free borrowings. The net effect of such interest capitalization was to decrease expenditures for facilities, property and equipment by \$2,060,000 during the year ended June 30, 1990 for excess interest revenue over interest expenses from applicable borrowings and to increase expenditures for facilities, property and equipment by \$1,052,000 during the year ended June 30, 1989 for excess interest expenses over interest revenue from applicable borrowings.

Self-insurance Liabilities - The District is largely self-insured for workers compensation claims, general liability claims, and major property damage. The District accrues the estimated costs of the self-insured portion of claims.

Unearned passenger revenue is an estimate of passenger tickets purchased which have not yet been completely used.

Grants and Contributions - The District periodically receives grants from the Urban Mass Transportation Administration (UMTA) and other agencies of the U.S. Department of Transportation, state, and local transportation funds for the acquisition of transit-related equipment and improvements. Capital grants fund earned less amortization equal to accumulated depreciation of the related assets; are included in grants and contributions.

Statements of Operations include the financial activities of the general operations of the transit system, revenue restricted by the Board of Directors for construction activity, and revenue restricted by the District or various bond indentures for debt service (including interest expense) on outstanding long-term debt.

Transactions and Use Tax (Sales Tax) Revenue - A 1/2% transaction and use tax is collected within District boundaries and administered by the State Board of Equalization. Of amounts available for distribution, 75% is paid directly by the State Board of Equalization to the District's trustee for the purpose of paying bond interest, principal and expenses. Monies not required for these purposes are transmitted to the District. The remaining 25% is allocated by the Metropolitan Transportation Commission (MTC) to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services. The District records the total transactions and use taxes earned including amounts paid to the trustee as revenue.

Property Taxes, Collection and Maximum Rates - The State of California Constitution, Article XIII A provides that the general purpose maximum property tax on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, school districts and other districts, such as the District.

The District receives property tax revenues to meet the debt service requirements of its General Obligation Bonds. The District also receives an allocation of property tax revenues for transit operations.

San Francisco, Alameda and Contra Costa Counties assess properties held for collect and distribute property taxes. Property taxes are recorded as revenue and receivables, net of estimated uncollectibles, in the fiscal year of levy.

Financial assistance grants are accrued as revenue in this period to which the grant applies.

Sale of Lay Benefit - The District has entered into agreements to sell lay benefits for certain District-owned transit equipment contracted for purchases prior to August 1986. The transactions have been structured in the form of leases for tax purposes. The District recognizes a benefit lay proceeds in the period of sale of the benefit.

Pension costs are expensed as incurred. Such costs equal the actuarially determined annual contribution amount. See Note 8.

3. CASH AND INVESTMENTS

The District maintains a cash and investment pool that includes cash and investments available for general use and restricted for bond designated purposes. Cash and investments of the District's deferred compensation plan (See Note 9) are held separately for the plan's administration.

Deposits - At June 30, 1990 (and 1989), the District's cash on hand was \$2,182,000 (1989: \$968,000), and the carrying amount of the District's time and demand deposits was \$2,661,000 (1989: \$1,189,000) with the corresponding bank balance of \$9,826,000 (1989: \$1,867,000). Of the total balance, \$608,000 (1989: \$199,000) was insured by Federal depository insurance or collateralized by securities held by the District's agent in the District's name and \$9,218,000 (1989: \$1,668,000) was collateralized 100% as required by Section 53052 of the California Government Code by the pledging financial institution. However, such collateralization in the District's name.

Investments - State of California statute and District policy authorize the District to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, bonds, securities, repurchase agreements and reverse repurchase agreements, and the State Treasurer's investment pool. The District did not enter into any reverse repurchase agreements during 1990 or 1989.

The District's investments are categorized below to give an indication of the credit risk assumed by the District at June 30, 1990. Category 1 includes investments that are insured or guaranteed or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, their department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its firm's department or agent but not in the District's name.

	(In Thousands)					
	1990				1989	
	Category	3	Carrying Amount	Market Value	Carrying Amount	Market Value
1	2					
U.S. Treasury notes			\$ 25,155	\$ 25,219	\$ 12,955	\$ 12,959
Federal agency obligations			257,245	257,185	303,494	303,849
Repurchase agreements			27,489	27,384	31,927	31,927
Total			309,889	309,888	348,376	348,735
Cash on hand			2,082	2,082	968	968
Time and demand deposits			2,661	2,661	1,189	1,389
Mutual funds - deferred compensation plan investments			55,558	55,558	47,855	47,855
Total			\$370,185	\$370,189	\$398,388	\$398,747
Reported as:						
Cash and investments			\$274,035		\$305,544	
Payroll and other liabilities (representing cash overhead)			(4,545)		(3,613)	
Deposits held by trustee			24,551		24,332	
Deferred compensation plan investments			55,558		47,855	
Investments restricted for Board designated purposes			20,586		25,270	
Total			\$370,185		\$398,388	

Investments restricted for Board of Directors designated purposes are summarized as follows (in thousands):

	1990	1989
Basic system completion	\$ 1,070	\$ 911
System improvement	3,316	3,16
Self-insurance	9,000	911
Operating	4,200	3,16
Total	\$20,586	\$25,270

5. FACILITIES, PROPERTY AND EQUIPMENT

Facilities, property and equipment, assets lives, and accumulated depreciation and amortization at June 30, 1990 and 1989 are summarized as follows (in thousands):

	Lives (Years)	1990		1989	
		Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Land		\$ 203,300		\$ 189,018	
Improvements	80	1,191,500	\$223,988	1,168,682	\$208,521
System-wide operation and control	20	188,296	92,729	180,791	83,300
Revenue transit vehicles	30	675,563	100,940	305,348	86,898
Service and miscellaneous equipment	3-20	26,179	15,497	22,744	13,411
Capitalized construction and start-up costs	30	100,705	54,320	100,943	50,975
Repairable improvements	30	12,087	1,379	10,141	3,409
Construction-in-progress		135,027		134,186	
Total		\$2,431,023	\$489,855	\$2,116,833	\$406,514

The District has entered into contracts for the construction of various facilities and equipment totaling approximately \$200 million at June 30, 1990.

In June 1988, the District entered into Principles of Agreement (Agreement) with the San Mateo County Transit District (SanTrans) pertaining to extending the transit system to the vicinity of San Francisco International Airport (Airport). Under the terms of the Agreement, SanTrans will pay the District a \$200 million capital contribution to be used for East Bay expansion and to be paid in installments (adjusted for inflation) upon reaching certain Airport extension milestones and, in addition, SanTrans will be responsible for funding 25% of the cost of extending the transit system to the Airport. District management's most current estimate, updated in 1990, of the cost of such Airport extension is approximately \$877 million. This project is contingent upon the District receiving adequate commitments for federal funding, and also upon expansion of the transit system in the East Bay.

5. LONG-TERM DEBT

Long-term debt at June 30, 1990 and 1989 is summarized as follows (in thousands):

	1990	1989
1962 General Obligation Bonds	\$3,494,000	\$3,894,800
1966 Special Service District Bonds	1,850	5,450
Total General Obligation Bonds	3,533,950	3,900,250
1985 Sales Tax Revenue Bonds	1,437,115	1,437,000
Total long-term debt	4,971,065	5,337,250
Current portion	(1,362,290)	(1,258,550)
Net long-term portion	\$3,608,775	\$4,078,700

1962 General Obligation Bonds - In 1962, voters of the member cities of the District authorized a bonded indebtedness totaling \$792 million of General Obligation Bonds. Payment of both principal and interest is provided by the levy of District-wide property taxes. Bond interest rates range from 1.5% to 6.0%.

1966 Special Service District Bonds - In 1966, City of Berkeley voters bonded Special Service District No. 1 and authorized the issuance of \$20.5 million of General Obligation Bonds, of which \$12 million were voted for construction of subway extension within the city. Payment of both principal and interest is provided by taxes levied upon property within Special Service District No. 1. Bond interest rates range from 4.0% to 5.5%.

1985 Sales Tax Revenue Bonds - The 1969 Legislature of the State of California authorized the District to impose a 1.2% tax on transactions within District boundaries and issue Sales Tax Revenue Bonds. On September 30, 1977, the Governor signed legislation which extended the transaction and use tax indefinitely. The tax is collected and administered by the State Board of Equalization. 90% of amounts available for distribution, 75% is paid to the District's trustee for the purpose of paying bond interest, principal and expenses. Amounts not required for these purposes are remitted to the district. The remaining 25% is allocated by the MTC to the District, the City and County of San Francisco, and the Marin County and Contra Costa District for transit services on the basis of regional priorities established by MTC.

In November 1985, the District issued sales tax revenue bonds (1985 bonds) totaling \$1,437,000, to refund and defuse \$1,396,500 outstanding principal amount of sales tax revenue bonds issued in 1982, and to finance certain system improvements.

The 1985 bonds are special obligation of the District, secured by a pledge of the sales tax revenues and are payable from revenues, including all sales tax revenues, all passenger fares, certain property tax revenues, and certain

interest, grants, and other income. Bond interest rates range from 6.00% to 9.00%. Bonds maturing on or after July 1, 1996 (\$1,272,250,000) are redeemable prior to maturity at the option of the District beginning July 1, 1995 on announced dates at prices ranging from 100% to 100% including bonds maturing July 1, 2004 (\$41,005,000) and July 1, 2011 (\$78,661,000) which are subject to redemption prior to maturity on or after July 1, 1998 and July 1, 2005, respectively, at 100%.

The following is a schedule of long-term debt principal repayments required as of June 30, 1990 (in thousands):

	1962 General Bonds	1966 Special Service District Bonds	1985 Sales Tax Revenue Bonds	Total
Outstanding June 30:				
1991	\$ 337,000	\$ 520	\$ 2,070	\$ 340,290
1992	61,975	500	2,270	64,745
1993	36,275	570	2,495	39,340
1994	17,525	500	2,735	20,760
1995	39,050	620	3,000	42,670
Thereafter	1,675,775	2,010	1,305,415	3,003,200
Total	\$3,494,000	\$1,850	\$1,437,115	\$4,971,065

1990 Sales Tax Revenue Refunding Bonds - In July 1990 the District issued sales tax revenue refunding bonds totaling \$15,478,000 with an average interest rate of 6.0% to advance refund \$1,410,500 of 1985 Sales Tax Revenue Bonds outstanding. The net proceeds of \$15,067,500, after payment of discount, underwriting fees, and insurance, were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust with a trustee to provide for all future debt service payments on the 1985 bonds. As a result, these bonds will be considered to be defeased and the liability for the bonds will be removed from the balance sheet during fiscal year 1991.

The advance refunding will result in the recognition of an accounting loss of \$15,961,000 during fiscal 1991. However, the advance refunding will reduce the District's aggregate debt service requirements by \$10,669,000 over the next 21 years, and will result in an economic gain (difference between the present value of the old and new debt service payments) of approximately \$9,600,000.

6. FEDERAL GRANTS

The U.S. Department of Transportation provides financial assistance to the District for capital projects, and planning and training. Grants which were active during the year ended June 30, 1990, are summarized as follows (in thousands):

Total approved project costs	\$451,837
Total approved federal funds	\$353,978
Less cumulative amounts received	(288,962)
Remaining amount available under federal grants	\$ 64,916

7. LOCAL AND STATE FINANCIAL ASSISTANCE

The District receives local operating and capital assistance from Transportation Development Act Funds (TDA). For the year ended June 30, 1990, TDA assistance was \$413,000 (1989, \$375,000), of which none (1989, \$5,000) was used for capital purposes and \$413,000 (1989, \$370,000) was used for operating assistance. These funds are received from the counties of Alameda and Contra Costa to meet, in part, the District's operating and capital requirements based on annual claims filed by the District and approved by the MTC.

The District receives state operating and capital assistance from State Transit Assistance Funds (STA). For the year ended June 30, 1990, STA assistance was \$183,000 (1989, \$500,000), of which \$160,000 (1989, \$139,000) was used for capital purposes, none (1989, \$362,000) was used for operating assistance and \$19,000 (1989, none) was used for thru-through projects. These funds are allocated by MTC, based on the ratio of the District's transit operation revenue and local support to the revenue and local support of all state transit agencies.

8. EMPLOYEES RETIREMENT PLAN

Plan Description - All permanent employees are eligible to participate in the Public Employees' Retirement Fund (Fund) of the State of California's Public Employees' Retirement System. The Fund is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The Fund provides retirement, disability, and death benefits based on the employee's years of service, age, and compensation. Employees retire after five years of service and may receive retirement benefits at age 50. These benefit provisions and all other requirements are established by state statute and District ordinance.

The District was not required to make a contribution to the Fund for public safety personnel or for miscellaneous covered employees for the years ended June 30, 1990 and 1989 due to a surplus of the District's portion of the Fund's net assets over the District's pension benefit obligation caused by a change in 1988 in the actuarial valuation method and an actual rate of return on

investment assets that exceeded the assumed rate. The District's covered payroll for employees participating in the Fund for the years ended June 30, 1990 and 1989 was \$95,372,000 and \$85,746,000, respectively. The District's 1990 and 1989 payroll for all employees was \$109,991,000 and \$95,187,000, respectively. The District, due to a Collective Bargaining Agreement, also has a legal obligation to contribute an additional 9% for public safety personnel and 7% for miscellaneous covered employees. Employees have no obligation to contribute to the Fund.

Funding Status and Progress - The "pension benefit obligation" is determined for each participating employer by the Fund's actuary and is a standardized disclosure measure that results from applying actuarial assumptions to estimate the present value of pension benefits, adjusted for the effects of projected salary increases and required benefits, to be payable in the future at a point of employee service to date. The measure is intended to help users assess the funding status of the District's portion of the Fund to which contributions are made on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used.

The pension benefit obligation shown before was computed as part of an actuarial valuation performed as of June 30, 1989, the latest available for the Fund. The significant actuarial assumptions used in the 1989 valuation to compute the pension benefit obligation were an assumed rate of return on investment assets of 8.5%, annual payroll increase of 5.5% attributable to inflation and 1.5% attributable to merit or seniority, and no postretirement benefit increases.

The funding status applicable to the District's employee group at June 30, 1989 (the latest available for the Fund) follows (in thousands):

Pension benefit obligation	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 807,333
Current employees	
Accumulated employee contributions and allocated investment earnings	82,326
Employer-financed, vested	28,972
Employer-financed, nonvested	1,534
Total pension benefit obligation	193,565
Net assets available for benefits, at current market value, (\$287,822)	245,382
Net assets in excess of pension benefit obligation	\$ 52,017

Actuarially Determined Contributions Required and Contribution Made

The funding policy of the Fund provides for actuarially determined periodic contributions by the District at rates such that sufficient assets be available to pay benefits when due. The District was not required to contribute to the Fund for the years ended June 30, 1990 and 1989 in accordance with the actuarially determined requirements computed as of June 30, 1989 and 1988, respectively. The District's surplus asset position offset against the current year's normal cost contribution. The actuarially determined normal cost contribution rate before reduction for the year ended June 30, 1989 was 15.345% (1989, 15.342%) for public safety employees and 8.060% (1989, 8.201%) for miscellaneous employees.

The District's normal cost contribution rate is determined using the entry age normal actuarial cost method, a projected benefit cost method. It takes into account those benefits that are expected to be earned in the future as well as those already accrued. The Fund would use the same method to amortize unfunded liability.

Significant actuarial assumptions used in the June 30, 1989 valuation to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

Historical Trend Information - Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten-year trend information is not yet available.

For the District's portion of the Fund, trend information for the years ended June 30, 1989, 1988, and 1987, follows (dollars in thousands):

	1989	1988	1987
Net assets available for benefits, at cost	\$245,582	\$214,290	\$189,801
Pension benefit obligation	\$193,565	\$171,353	\$151,795
Net assets available for benefits as a percentage of pension benefit obligation	127%	125%	125%
Assets in excess of pension benefit obligation	\$ 52,017	\$ 42,937	\$ 38,006
Annual covered payroll	\$ 85,746	\$ 83,178	\$ 79,940
Assets in excess of pension benefit obligation as a percentage of annual covered payroll	60%	51%	47%
Contributions made in accordance with actuarially determined requirements as a percentage of annual covered payroll	0%	0%	0%

Trend information for 1990 is not yet available.

9. DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to all officers and employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination, or certain other covered events.

As required by IRC Section 457, all amounts of compensation deferred under the deferred compensation plan and all income attributable to those amounts remain the property of the District (until paid or made available to the participant), subject only to the claims of the District's general creditors. Participants' rights under the deferred compensation plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant. The plan administrator has invested the deferred amounts in numerous participant-directed, diversified investments.

District Management believes that the District has no liability under the terms of the plan for any amounts other than the participants' account balances.

10. MONEY PURCHASE PENSION PLAN

All District employees, except sworn police officers, participate in the Money Purchase Pension Plan which is a supplemental retirement program. In January 1981, the District's employees elected to withdraw from the Federal Social Security System (FICA) and established the Money Purchase Pension Plan. The District contributes an amount equal to 6.65% of covered employee's annual compensation (up to \$29,700) after deducting the first \$135 paid during each month up to a maximum annual contribution of \$1,868. Additionally, the District contributes to each employee's account approximately 16.3% of covered payroll for the savings realized when the District deposited its Public Employees Retirement Fund (Fund) account. This amount was formerly paid to the employee's Fund account. Each employee's account is available for distribution upon such employee's termination.

The District's total expense and funded contribution for this plan for the years ended June 30, 1990 and 1989 was \$5,927,000 and \$5,587,000, respectively. Money Purchase Pension Plan assets at June 30, 1990 and 1989 (excluded from the accompanying financial statements) were \$76,878,000 and \$54,489,000, respectively.

11. LITIGATION AND DISPUTES WITH CONTRACTORS

In June 1990 the District received a claim from the manufacturer of the most recently acquired rail transit vehicles which the manufacturer valued at \$128 million. The District is currently negotiating a settlement with the manufacturer and management believes that the ultimate resolution of this claim will

not have a material adverse impact on the financial position or results of operations of the District.

In addition, the District is involved in many other lawsuits, claims, and disputes, which for the most part are normal to the District's operations. In the opinion of District Management, the costs that might be incurred, if any, would not materially affect the District's financial position or operations.

SUPPLEMENTAL SCHEDULE OF RECONCILIATION OF EXCESS OPERATING REVENUES OVER (UNDER) EXPENSES FOR THE YEARS ENDED JUNE 30, 1990 AND 1989

(In thousands)

The following is a reconciliation of excess operating revenues over (under) expenses after capital designations and before depreciation:

	1990	1989
EXCESS OF EXPENSES OVER REVENUES		
Operations	\$(29,262)	\$(21,435)
CAPITAL DESIGNATIONS DEPRECIATION	(15,381)	(11,817)
	19,634	37,767
EXCESS OF OPERATING REVENUES OVER (UNDER) EXPENSES AFTER CAPITAL DESIGNATIONS AND BEFORE DEPRECIATION	\$ (9)	\$ 1,515

Capital designations are made by the District annually for capital purposes which represent the excess of revenue over expenses before depreciation generated by operations.

LEASING NEW BART CARS



BART is in the process of acquiring 70 new cars, including 20 to be for service on the District's existing 71.5-mile system. These 20 new cars will help to alleviate any shortage of cars during the time that the District's present A and B cars are gradually rebuilt during the next few years.

Another 50 new cars will be acquired to provide for increased passenger demand on the BART extensions underway in Alameda, Contra Costa and San Mateo counties.



The new BART Car Engineering and Maintenance team is shown here: (Front Row, L/R) Marcia McBrayer, Clerk; Kels Hari, Group Manager; Maurice Clapp, New Vehicle Engineering Manager; (Back Row L/R) Dave Johnston, Senior Engineer; R J Grimes, Engineer; Charles Jenkins, Supervising Engineer and John LaGuardia, Senior Engineer.

All of the new cars will be of the same basic configuration as BART's present C-Cars, but they will be modified in order to avoid specific problems that surfaced after the present C-Cars were placed in revenue service.

BART expects to acquire the 70 new cars through an innovative leasing arrangement that will save the District approximately \$20 million at the time of the transaction. In effect, BART will sell the depreciation rights in the cars to a company with tax liabilities that can be offset by depreciation costs. This arrangement not only lowers the costs of the cars to BART, but spreads over 20 years the District's cash requirements in acquiring the cars.

MONTHLY MANAGEMENT REPORT

BART instituted a monthly management report during the year that summarizes District performance as related to overall objectives. The new report includes an executive management summary that covers significant events during a month, and also identifies problems. Reports from managers below the executive level are also included.

These managerial-level reports provide information on specific activities as defined, measured and costed during the new budget-making process. In other words, the monthly reports are geared to tell how the District is doing, in terms of overall goals and budgeted resources; what problems are being encountered and how they're being addressed, and what remains to be accomplished of specific projects.

Recurring problems and trends are also identified in the monthly report. The report concludes with charts and graphs that provide, at a glance, information on the District's rail operations and how those operations relate to passenger satisfaction.



The preparation and distribution of the Monthly Management Report has resulted in a new line of communication with all BART employees, keeping them advised of new programs and progress on those in place. Shown here planning the report are (l/r) Julie Yim, BART Board Liaison Officer, principal architect of the report; Sherwood Wakeman, BART's General Counsel; John Haley, BART's Deputy General Manager and Frank Wilson, BART's General Manager.



NEW GOAL AND PERFORMANCE BUDGET

Bay Area Rapid Transit District - 1991

RENEWING TODAY REALIZING THE VISION



The BART Budget is now linked to better service. Top Managers of the Budget Department are shown as they discuss the new budget planning process: (L/R) Barbara Oden, Budget Specialist; Beth Tripp, Department Manager, Office of Management and Budget; Joseph Evinger, Manager, Operating Budget.

People tend to think of a budget as a totaling up of expected spending and income over a year's time, a static device by an organization's top management to control spending.

BART instituted a new budget-making process during the year. The new process controls spending, of course, but it is more closely linked to BART's overall objectives and to ideas and suggestions from BART managers at all levels of the District.

The new budget process is linked directly to BART's priority goal of providing better customer service. As they participate in the new process, managers at all levels of the District must ask themselves, "Does this activity contribute to better passenger service? Will the dollars spent really result in improved passenger satisfaction?"

Under the new process, budgeted activities must be measurable in terms of definite results linked to passenger service. The new process provides a comprehensive budget that defines the basic costs, department by department, to meeting BART's objectives. It also provides for new activities, but defines the exact cost of these new initiatives and specifies how they are to be measured.

In proposing a new program or procedure, as well as in retaining existing activities, BART managers are required to answer the questions "How much does this activity cost in terms of money and human resources?" "How is it linked to the District's priority objectives?" and "How are its results to be measured and evaluated?"

The new budget process not only brings spending strictly in line with well-defined District objectives, but it also encourages personal initiative and responsibility. It encourages managers to perceive their departmental domain as part of a larger organization committed to passenger service. It encourages better communication among all levels of BART employees. Finally, it encourages improved personal accountability and better measurability of all BART activities.

MAXIMIZING EMPLOYEE RESPONSIBILITIES



BART initiated the first stage of an organizational development program aimed at making the best possible use of its human resources. The overall objective of the program is to ensure better service to passengers.

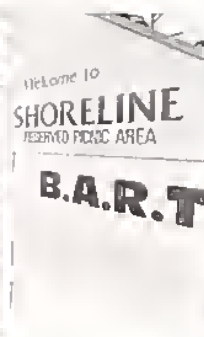
The new program is based on an employee "empowerment" concept: the idea that all employees should feel a personal responsibility and commitment for the way that BART operates and that outmoded bureaucratic procedures should not stifle personal initiative or get in the way of providing good customer service. The new program will involve every level of the District in an effort to improve overall performance in a cohesive and coordinated manner. One aspect of the program focuses on clearly identifying and stating the District's guiding principles, values and goals and making sure activities throughout the District are in line with those principles, values and goals.

The program emphasizes personal accountability for better passenger service. It encourages decision making and initiative at lower levels of the organization, not just at the top. Special attention is focused on involving BART employees in decision making, problem solving, and team work to achieve better customer service. The new program will require two to three years to implement and is prompted by BART's recognition that the District will require the best efforts of its employees as the system is expanded, the present system is rehabilitated and the number of passengers continues to increase.

SPECIAL EVENTS

Whether it was to run in the Bay-to-Breakers race, watch the Valkyries ride, attend a baseball game, go to the fair, hear Nelson Mandela, listen to a rock concert or shop for the holidays, BART passengers were able to rely on specially scheduled trains and buses to carry them to and from events throughout the year.

Nearly half of the people who headed for the Oakland Coliseum on June 30 to hear Mandela, Deputy President of the African National Congress, used BART to get there. Patronage on BART that day reached 142,326, a record Saturday. Music lovers used BART trains to reach the San Francisco Opera House to attend performances of Richard Wagner's "Ring" operas. Free shuttle buses whisked BART passengers from BART to the Festival at the Lake in Oakland. BART provided more special train service and links with buses for special events than ever before.



CHEN D. RAIL, MAN, AND THE RAILS: A MESSAGE



BART WAS READY...AND THEN SOME

A year ago I wrote in these pages about the heritage, maturity and challenge of BART. I rhapsodized about our system and how we must plan, operate and deliver on our abilities and our promises.

We can't miss a beat. I wrote:

Came 5:04 on the afternoon of October 17, and we didn't. In fact, we picked up a step or two. When the earth shook and buildings rattled, BART was there.

The Loma Prieta quake tested with unprecedented severity the facilities, equipment and people who make up the Bay Area Rapid Transit District. Within seconds of the devastating tremor, transportation throughout the Bay Area came to a virtual halt.

BART, along with all electricity-run transit systems, stopped cold. San Francisco went dark. Traffic lights were snuffed out in the midst of the normally heavy Tuesday evening commute. Freeway traffic was halted while police and emergency crews inspected overpasses and superstructures. The Cypress Freeway collapsed. Filling scores

of commuters and tying up rescue personnel and stranded motorists. And, of course, a portion of the Bay Bridge collapsed, leaving a power-starved BART, the only link between the two economic, financial and employment hubs of the north Bay.

Yet by midnight BART trains again began carrying passengers on our East Bay tracks. At 2:30, the following morning, BART trains were rolling through the Transbay Tube and into a still-darkened San Francisco. Full passenger service on all 71.5 miles and 34 stations of BART had been restored.

To the great credit of the engineers and contractors who built BART two decades ago -- our heritage -- and to the people who make it run today, our maturity -- no passenger or BART employee was injured. The tracks, trains and structures that let us carry passengers came through in perfect operating order. Only minor damage -- cracked plaster, tumbled bookshelves and the like -- to the tune of \$2 million was inflicted at some support facilities.

Our response was simply another laurel in the legend that is BART.

How were we able to get up-and-running at full capacity 10 long, hectic hours after being jolted by the strongest jolt to hit the area since the fabled quake of 1906?

People, teamwork and dedication. That's our answer.

Dedicated people working together as a team conceived, designed and built the BART system in the 1960s -- and they built it right. Dedicated people working together as a team got BART back on track in the hours following the quake.

Not only did they get BART back on track, they kept it there for more than a month while the San Francisco-Oakland Bay Bridge was out of service, carrying more than 10 million passengers to their

jobs and homes around the clock. The day before the bridge reopened, we carried 357,435 passengers -- a figure far beyond the wildest expectation of the system's original designers. Yet that day was only the climax in a month of weekday patronage that regularly exceeded 350,000. Before the quake, we carried an average of 218,000 passengers per work day.

Once the bridge was open again, commuters began a gradual return to their old, pre-quake pattern. Almost instantly, the earned loyalty of nearly 20 percent of the people who switched to BART when the bridge was down. Average weekday patronage has climbed to 250,000. Sunday patronage is up 21 percent to 107,500, and Sunday patronage has risen 26.7 percent to 66,400. And the numbers are still climbing.

So we look back on a year of unprecedented testing of both BART, the system, and its people. Both made the grade, handsomely.

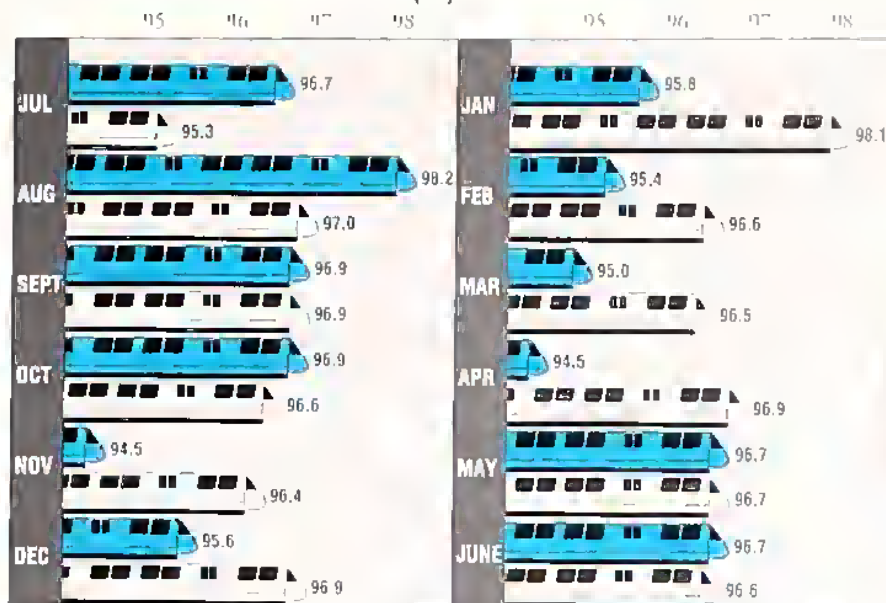
But the earthquake and closure of the Bay Bridge were not the only tests BART faced during the year. The renewal and expansion of BART's physical properties and the enhanced commitment of our employees have also been tested.

These are the tests -- the challenges -- that signify BART's future. They pose a greater test of our resources and of our spirit than even the Loma Prieta earthquake.

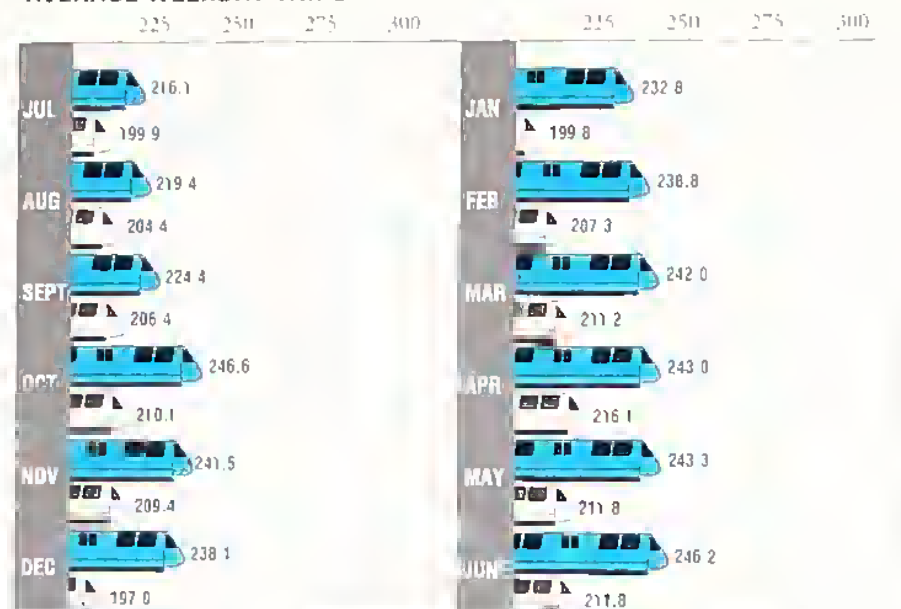
Let's look at the fulcrums of those challenges. First, we are expanding the BART system in three directions: eastward in Alameda and Contra Costa counties, and southward in San Mateo County. Second, we are revitalizing the original BART system, including passenger cars, stations and control facilities.

Third, we are in the early stages of working to better channel our most valuable resource -- the people of BART. We are calling for

DAILY ON-TIME PERFORMANCE (%)



AVERAGE WEEKDAY TRIPS



FY 1990



FY 1989

greater individual responsibility and focusing our employees' efforts more sharply on the single question of our professional existence: passenger service.

You will find details of BART's physical expansion program elsewhere in this Annual Report. Briefly, however, the bottom line is this: the basic programs are well underway and are solidly backed by the public. In June, the voters approved a trio of important transportation ballot measures that will provide a major portion of the funds we need to meet the continuing public's increasing demands.

But while we are expanding, we are also rehabilitating BART. My Webster's defines "rehabilitation" as "restoring to good health or good operation." BART is not sick and it is far from being in poor form. But a thorough review of our equipment and facilities shows that the original system, parts of which are 20 or more years old, need to be restored or replaced. Breakdowns have increased markedly in the past decade. Further deterioration will mean slower, less reliable and more costly service -- and disgruntled patrons.

We have targeted the original fleet of 439 passenger cars, power and mechanical facilities, tracks, structures and stations, train control and fare collection equipment, communication systems, destination signs, shops, towers and shop equipment.

Meanwhile, we have also embarked on a wholesale revision of our internal organization. Our objectives are twofold: to improve the efficiency of top management's decisions and the way they are followed through, and to encourage greater personal initiative and responsibility among all BART employees in carrying out the District's goals. A quinquennial key to this revision is better internal communications -- not just from the top down, but from the bottom up.

Part of this "organizational rehabilitation" is our new budgeting procedures. Budgets now link department spending to goals and projects. This reform alone gives managers at all levels increased responsibilities and added rewards.

But our priority is still our passengers. All of the changes underway

at BART are geared to them.

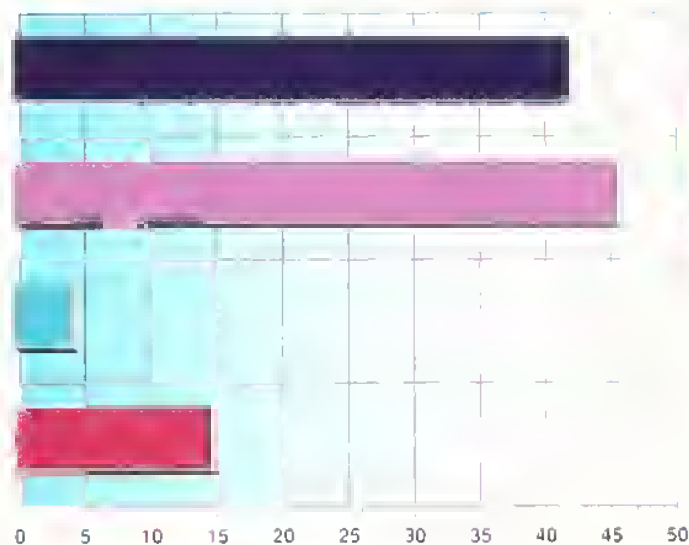
Before the dawn of the millennium -- less than a decade away -- most of our presently planned extensions should be in place, or nearly so. Our physical rehabilitation program should be complete, and our organizational rehabilitation will have produced the finest corps of dedicated, motivated, empowered public transit employees in the world.

Our heritage is secure. Our maturity has been tested. Our challenge is clear: to harness our human and physical resources to improve our existing service delivery, and to provide, across the breadth of our expanded system, the best possible service to our future passengers.

When the earth moved, we met the challenge. We were ready -- and then some. We face the challenges of the future with the same vigor.

Frank J. Wilson
General Manager, BART

OPERATING FUNDS 1989/1990

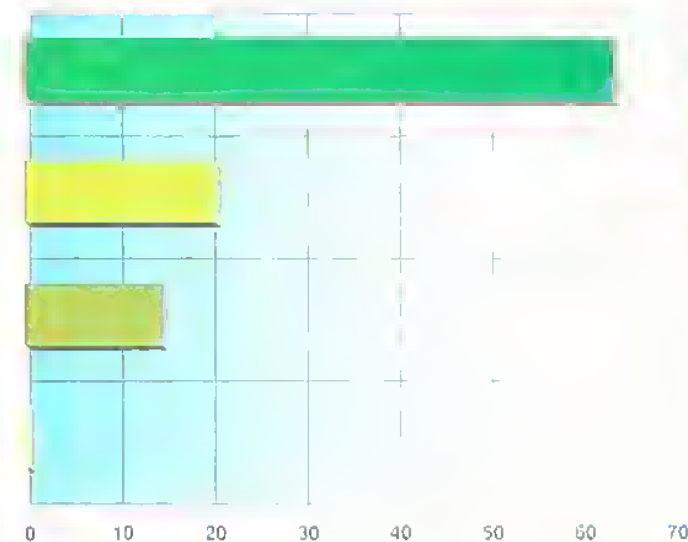


TOTAL
\$217,008,100.00%

SOURCE OF FUNDS (by Amount)

- Transaction & Use Sales Tax
\$91,127,321.73
42.17%
- Fares
\$98,125,458.67
45.80%
- Property Tax
\$9,754,095.11
4.52%
- Other
\$10,186,770.56
4.70%
- Investment Income and Other Operating Revenues
\$7,129,154.28
3.28%
- Construction Funds
\$8,644,198.94
3.98%
- Regional Financial Assistance
\$415,000.00
0.19%
- Increase in Working Capital
\$0.00
0.00%

CAPITAL FUNDS 1989/1990



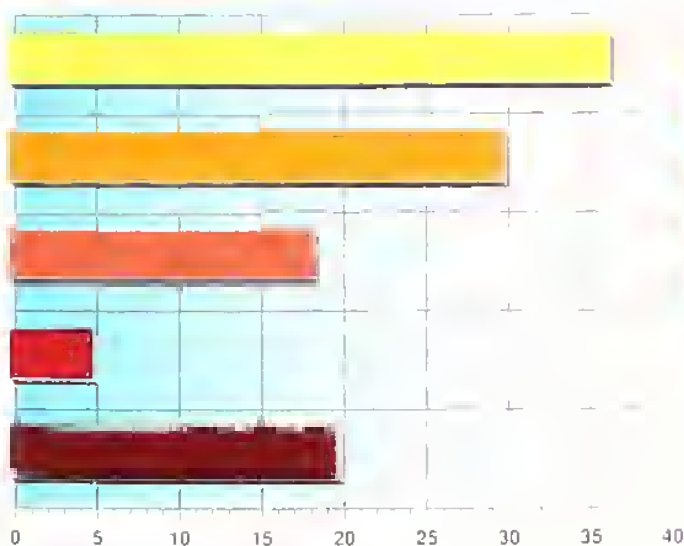
TOTAL
\$129,278,100.00%

SOURCE OF FUNDS (by Amount)

- District
\$234,561,600.00
60.00%
- Federal
\$50,641,200.00
12.50%
- State
\$19,230,000.00
4.75%
- Local
\$6,427,278.00
1.63%

HOW FUNDS WERE APPLIED (by Amount)

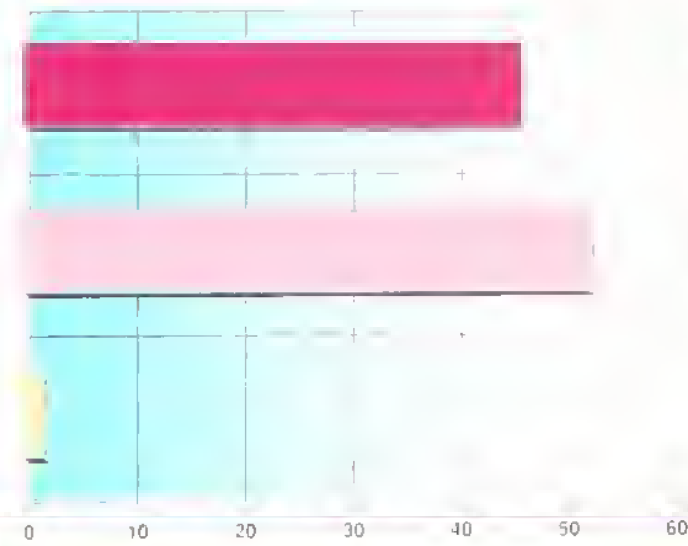
- Maintenance
\$136,100,000.00
62.72%
- Transportation
\$65,000,000.00
30.00%
- General Administration
\$10,000,000.00
4.61%
- Police Services
\$15,000,000.00
6.91%
- Other
\$7,908,100.00
3.64%
- Capital Designations
\$15,000,000.00
6.91%
- Construction & Engineering
\$6,278,100.00
2.90%



TOTAL
\$217,008,100.00%

EXPENDITURES (by Amount)

- Construction
\$136,100,000.00
62.72%
- Transportation
\$65,000,000.00
30.00%
- General Administration
\$10,000,000.00
4.61%
- Police Services
\$15,000,000.00
6.91%
- Other
\$7,908,100.00
3.64%
- Capital Designations
\$15,000,000.00
6.91%
- Construction & Engineering
\$6,278,100.00
2.90%
- Equipment
\$15,000,000.00
6.91%
- Studies and Other
\$6,278,100.00
2.90%



TOTAL
\$129,278,100.00%

San Francisco Bay Area Rapid Transit District (BART)

Headquarters in downtown Oakland, California
800 Madison Street, P.O. Box 12688
Oakland, CA 94604-2688 (415) 464-6000

Established in 1957 by the California State Legislature.
Authorized to plan, finance, construct, and operate a rapid
transit system.

Governed by a Board of Directors elected for four-year terms
by voters in nine election districts within the counties of
Alameda, Contra Costa and San Francisco.

BOARD OF DIRECTORS — Fiscal Year 1990

PRESIDENT

Nello Bianco, El Sobrante

VICE PRESIDENT

Erlene DeMarcus, Pleasanton

Members of the Board

District #1 — Joe Fitzpatrick, Orinda

District #2 — Nello Bianco, El Sobrante

District #3 — Sue Hone, Berkeley

District #4 — Margaret K. Pryor, Oakland

District #5 — Erlene DeMarcus, Pleasanton

District #6 — John Glenn, Fremont

District #7 — Wilfred T. Usery, San Francisco

District #8 — Arlo Hale Smith, San Francisco

District #9 — Michael Bernick, San Francisco

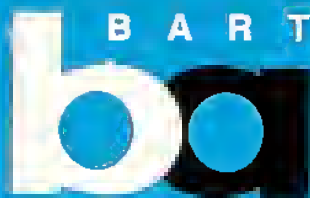
Board-Appointed Officers

Frank J. Wilson, General Manager

Sherwood Wakeman, General Counsel

Alvan Teragawachi, Controller/Treasurer

Phillip O. Ormsbee, District Secretary



Executive Managers Reporting to the General Manager

John J. Haley, Jr., Deputy General Manager

Larry A. Williams, Executive Manager,

Human Relations & Support Services

Irene C. Borcover, Acting Executive Manager,

District Relations & Support Services

Ralph S. Weule, Executive Manager,

Safety & Investigations

James T. Gallagher, Assistant General Manager,

Operations

Thomas E. Margro, Assistant General Manager,

Development

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